

CITY OF HOLLAND

HOLLAND, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2004

Prepared by:

Finance Office

Larry W. Sandy

Finance Officer

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CITY OF HOLLAND	County OTTAWA
Audit Date JUNE 30, 2004	Opinion Date OCTOBER 29, 2004	Date Accountant Report Submitted to State: DECEMBER 23, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as
2. We are certified public accountants registered to practice in Michigan.

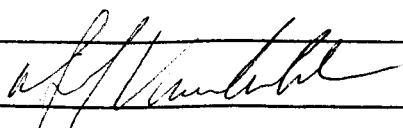
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|----------------------------|--|
| RECEIVED | |
| DEPT. OF TREASURY | |
| DEC 28 2004 | |
| LOCAL AUDIT & FINANCE DIV. | |
- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
 - ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
 - ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
 - ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
 - ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
 - ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
 - ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
 - ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).		X	

Certified Public Accountant (Firm Name) REHMANN ROBSON			
Street Address PO BOX 6547	City GRAND RAPIDS	State MI	ZIP 49516-6547
Accountant Signature 			

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CITY OF HOLLAND
FINANCE OFFICE - CITY HALL
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HOLLAND, MICHIGAN 49423

Telephone (616) 355-1370

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November 11, 2004

TO CITY OF HOLLAND CITIZENS AND OTHER INTERESTED PERSONS:

The *Comprehensive Annual Financial Report of the City of Holland (CAFR)* for the fiscal year ended June 30, 2004, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the data as presented is accurate in all material respects and reported in a manner that fairly sets forth the financial position and results of operations of the various funds of the City. All disclosures considered necessary to enable the reader to gain an understanding of the City's financial activities are included.

The report is comprised of six sections prepared in conformance with *GASB Statement No. 34*. The first section includes the table of contents, letter of transmittal, and organizational data. The second section includes the Independent Auditor's Report and the Management's Discussion and Analysis (MD&A) which provides a narrative introduction, overview, and analysis of the statements which follow. The third section includes the Basic Financial Statements comprised of the Government-wide financial statements and the Fund financial statements. The fourth section includes the Notes to the Basic Financial Statements. The fifth section includes Supplementary Information comprised of individual fund narrative descriptions, combining fund statements and budgetary comparison schedules. The sixth section is the Statistical Section which includes tables that reflect economic and financial data and trends, together with the current fiscal capacity of the City.

The *Notes to the Financial Statements* are considered to be an integral part of the report and should be read for a more complete understanding of the statements and information presented therein.

PROFILE OF THE GOVERNMENT

The City of Holland is located in the western portion of the state, five miles from Lake Michigan and approximately 90 miles north of the Michigan-Indiana border. The corporate boundaries of the City lie within portions of Ottawa County and Allegan County. The U.S. Census Bureau's final adjusted 2000 census indicates a population of 35,048. The 2004 population estimate is 34,700, representing a slight decrease. At June 30, 2004 the City included an area of 17.35 square miles, 141.06 miles of major and local streets and 16.04 miles of state trunkline highways. In September 2004 the State of Michigan executed an agreement with the City to turnback several state trunkline roadways resulting in a current 147.80 miles of major and local streets and 11.20 miles of state trunkline highways.

The present City charter was adopted in 1950, under authority and provisions established by the State of Michigan Home Rule City Act. There have been various voter-approved amendments to the charter over the years. The charter mandates a Council-Manager form of government. The Council is comprised of nine members including an elected Mayor, two council members elected at-large, and six members elected by ward. The City Manager is responsible to implement and administer policies and programs outlined in the annual budget and by various actions of the Council. An organization chart is included to better comprehend the total governmental structure.

PROFILE OF THE GOVERNMENT

(Continued from Previous Page)

The City Charter requires a *Holland Board of Public Works (HBPW)* appointed by the City Council to manage and operate municipally-owned utilities (electric, fiber-optics, water, and wastewater). The HBPW is administered and operates under separate management, financial administration, and operating staff. Financial administration of general government services and activities are performed by the *City Finance Office*. This report includes the funds and financial information of both offices.

The City provides the full range of municipal services normally associated with a municipality including police and fire, environmental health, housing and building inspections, animal control, street construction and maintenance, planning & zoning, recreation programs, several municipal parks, cemetery facilities, an out-of-doors farmers market and various other cultural activities. The City also operates business-type activities for an electric utility, fiber optics, sanitary sewer utility, water supply utility, refuse/recycling curbside pickup program for residents, a municipal airport facility, a combination fixed route and personalized bus/van transportation service, a municipal transportation center (depot) for railroad and bus passengers, and a Dutch theme tourist park attraction. A district-wide public library is owned by the City of Holland Building Authority; and financially supported by the City of Holland together with three surrounding townships.

The City enjoys a well-diversified property tax base mix of residential (45.6%), commercial (23.7%), industrial (29.9%), and all other (0.8%). The industrial sector includes a diversification of manufacturing, including office systems & furniture, auto and truck parts, boats, candies & gums, pickle & cucumber products, soft drinks, and several other small industrial firms.

The annual budgeting process is conducted in accordance with *State of Michigan Act 2 of 1968*, as amended through *Act 493 of 2000*, together with *Sections 9.4 and 9.5 of the City Charter*. Formal budgets are established for the General, Special Revenue, Permanent, Debt Service, Enterprise and Internal Service Funds, and Component Units. Budgets for Capital Projects are also approved through the annual budgeting process and, in many instances, individually by the City Council throughout the fiscal year. We believe that internal control procedures and policies currently in place provide reasonable assurance for proper recording of financial transactions and asset accountability.

Financial planning and control is provided through the annual budget process which is supplemented by ongoing review and adjustment, as needed, throughout the year. The annual process begins in January when the City Council meets with the citizens of Holland to obtain input into the upcoming budget process. The City Council next meets to prioritize the upcoming budget issues. In mid-February department managers submit budget requests to the City Manager. A detailed review, analysis and revision to the departmental requests is performed by the City Manager in March. At the first council meeting in April the City Manager's overall budget request is submitted to the City Council and citizens. Later in April a series of budget study meetings are held by the City Council. At the first council meeting in May a public hearing is held on the proposed annual budget followed by adoption of a final budget resolution including establishment of property tax millage rates.

The City government's employed staff includes 435 full-time positions, and approximately 500 part-time positions. The full-time workforce is composed of a base of non-union plus four organized labor bargaining units as follows:

Employee Group	Affiliation	Members
Utility Workers	Service Employees International Union AFL-CIO, Local 568	103
Utility Clerical	Service Employees International Union AFL-CIO, Local 568	17
Police Officers	Fraternal Order of Police, Holland Police Officers Division	59
Firefighters	International Association of Firefighters, Local 759	26
Non-Union	None	230

THE FINANCIAL REPORTING ENTITY

Governmental Accounting Standards Board (GASB) issues authoritative statements and pronouncements that require compliance for acceptable government financial reporting. *GASB Statement No. 14* provides definition for *The Financial Reporting Entity* to include all funds, agencies, boards, commissions, and authorities that are controlled by or dependent upon the primary government unit for their on-going existence. *The Financial Reporting Entity* is composed of the:

- *primary government* (together with *blended component units* that, although legally separate, are so tightly intertwined with the primary government that they are, in essence, the same as the primary government)
- *discretely presented component units*.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The requirements of *GASB Statement No. 14*, and the further amendments to this statement made by *GASB Statement No. 39*, are addressed in this report. Component units that require discrete reporting presentation are the *Downtown Development Authority*, the *Economic Development Corporation (no activity in current year)*, the *Brownfield Redevelopment Authority* and the *Holland Historical Trust*. These four component units are legally separate organizations for which the Holland City Council is financially accountable; and/or for which the nature and significance of their relationship with the City are such that exclusion would cause the financial statements to be misleading or incomplete. The component units are further identified in Note 1 of the *Notes to Financial Statements*.

This is the second *CAFR* for the City of Holland prepared in conformance with the requirements delineated by *GASB Statement No. 34* which established new financial reporting requirements for state and local governments. Retroactive reporting of infrastructure assets will occur no later than the fiscal year ending June 30, 2007 (required compliance dates for the City of Holland).

ECONOMIC CONDITIONS OF THE COMMUNITY

The City of Holland enjoyed sustained growth of its business community throughout the decades of the 1970's and 1980's and into the 1990's, both in terms of increases in property tax base and the overall employment environment. Because of the diversity of the business community within the City of Holland, economic downturns have generally not been as severe as in several other areas of the State whose economies are centered around one large type of industry, such as automotive.

The local West Michigan area has been impacted by the national economic downturn which began in 2001. Of major impact to the City of Holland's tax base was the closing in 2002 of the local Planters Lifesavers plant owned by Kraft Foods, Inc. which moved its confection products operation to Canada. Locally, the office furniture sector has also been hard hit with many layoffs, but appears to be on the upswing now. Earlier in 2004 Johnson Controls Interiors (JCI) announced that it is moving its visor production to Mexico – a decision projected to eliminate up to 885 jobs in Holland over an eighteen month period. About 240 JCI layoffs are anticipated by the end of 2004 and potentially over 600 in 2005. JCI will still employ approximately 4,000 workers in the area after the move is complete.

Statistically the unemployment rate in the Holland area has dropped significantly over the past two years. The region's economic development community has been working together aggressively to maintain existing businesses and to provide a welcoming environment for new start ups. New development and economic growth in both the commercial and industrial sectors slowed during calendar year 2002 and 2003, but grew slightly in 2004. Industrial and commercial construction value in the City has increased by 100.6%, but residential construction value has dropped by 36%, resulting in an overall 11.8% increase in construction values from FY2003 to FY2004.

ECONOMIC CONDITIONS OF THE COMMUNITY

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The national labor market reflects a 5.4 percent unemployment level, down from the 6.1 percent level of a year ago. The most recent Manpower Inc. survey of major employers in the greater Holland area indicates positive net hiring for the next three to six months. Positive hiring is indicated mostly in the industrial, professional, automotive and furniture sectors. Despite layoffs at Johnson Controls Interiors (JCI), Baker Furniture and newly announced layoffs at Hydro Automotive Structures, area unemployment rates have been declining and professional and business sectors continue to report gains. Notable hirings have occurred at Challenge Manufacturing (150) and Tiara Yachts (100). Activities adding to the economic well being of the area include a \$45 million expansion at Holland Community Hospital and the potential 1,000 new jobs Haworth (office furniture) announced it will be relocating to West Michigan from other parts of the country.

The unemployment rate for the State of Michigan is currently running at 6.8 percent (7.4 percent this time a year ago) and the City of Holland rate is currently running at 5.9 percent (6.8 percent this time a year ago). The City of Holland currently has higher unemployment than the national average, but lower unemployment than the statewide average. The unemployment rate appears to have peaked in July 2003 at 8.4 percent, based on a City workforce of 22,500 workers and is now continuing a positive (downward) trend based on a current 21,692 workforce count. The projection for calendar year 2004 is for the local area economy to gain slightly in new momentum in tandem with the overall national economic picture. Please reference the *Significant Initiatives* section later in the Letter of Transmittal for more information on Economic Development in the City of Holland.

In recent years, the adjacent surrounding townships have experienced a greater rate of growth for residential, commercial and industrial than has the City; primarily due to land availability. However, the annexation of more than 1,100 acres on December 31, 1999 provided the City with additional land for future growth and expansion to the south. A major mixed use residential and commercial development is in the first start up phase by a local developer, within the annexed area, consisting of almost 800 units on approximately 84 acres of land.

In other areas of the City, industrial expansion construction at Challenge Manufacturing (automotive) is underway. Construction has begun on the DeVos Fieldhouse by Hope College in the Eastern Gateway area of the downtown and this development is anticipated to enhance the downtown area both aesthetically and economically. An exciting senior citizen mixed use development is in the final approval stages with 170 units planned for the first phase. The City currently has four Brownfield Redevelopment Authority projects approved and in various stages of construction which are anticipated to spur development on obsolete or blighted properties. The airport tunnel and runway extension project currently underway is expected to be accompanied by many economic rewards to area's business climate.

The City of Holland has been directly impacted by the State of Michigan budget crisis which has most noticeably been felt in the form of state revenue sharing cuts. The State has indicated it will maintain the same overall level of sales tax distributions for FY2005 as received for FY2004, but the unfolding state budgetary crisis leaves this full commitment in a precarious position.

The most recently assigned credit ratings to City of Holland debt are as follows:

Moody's Investor Service (rated April 2004)	Aa3
Standard & Poor's (rated July 2002)	AA

GOVERNMENTAL-TYPE FUNDS

FUND BALANCES

The following comparison itemizes actual unreserved Fund Balances across all general governmental funds (excluding Component Units) and the change from the prior year:

	Unreserved Fund Balances		
	@ June 30, 2003	@ June 30, 2004	Increase (Decrease)
General Fund	\$ 2,789,935	\$ 2,551,853	\$ (238,082)
Special Revenue	6,627,218	8,102,966	1,475,748
Debt Service Funds	954,149	950,039	(4,110)
Capital Projects Funds	15,387,384	5,107,011	(10,280,373)
Permanent Trust Funds	1,758,561	1,827,723	69,162
Totals	\$ 27,517,247	\$ 18,539,592	\$ (8,977,655)

Additional Comments Concerning Certain Fund Balances

- The *General Fund – Unreserved Fund Balance* of \$2,551,853 at June 30, 2004 is budgeted to decrease by \$53,021 in the ensuing fiscal year 2004-05.
- The decrease in the *Unreserved Fund Balance* of the *General Fund* resulted from budgeted expenditures exceeding revenues, planned in response to anticipated reductions in state revenue sharing and investment income earnings.
- The increase in the *Unreserved Fund Balance* of the *Special Revenue Funds* resulted from higher balances in the Street Funds resulting partially from unexpended transfers for street capital improvement projects in various phases of completion.
- The *Capital Projects Funds* experienced a decrease in *Unreserved Fund Balance* as a result of the majority of the FY2003 \$19.5 million Building Authority bond issue proceeds being substantially expended at fiscal year end .
- The Budget Stabilization Fund (in the Special Revenue Funds section) ended the fiscal year with an *Undesignated Fund Balance* of \$1,872,659; considered to be slightly less than the internally-established guideline targeted at 10% of the ensuing fiscal year General Fund budget, or \$1,929,414.

CAPITAL PROJECTS

Expenditures in the *Capital Projects Funds*, excluding interfund transfers, totaled \$26,235,787. The more significant projects with expenditures exceeding \$100,000 during the fiscal year included:

STREET, SIDEWALK, BRIDGE, DRAIN AND TRAFFIC SIGNAL IMPROVEMENT PROJECTS	
Washington Avenue Tunnel & Road Relocation Property Acquisition	\$ 8,986,255
US-31 MDOT Milling and Resurfacing	1,454,741
14 th Street, from River Avenue to Fairbanks Avenue	424,483
2003 Calendar Year Street Resurfacing Program	333,381
Waverly Road at 24 th Street, Fifth Lane	233,014
Sidewalk Improvements	108,283
Fairbanks Avenue, 8 th to 16 th Streets	103,178
MUNICIPAL CAPITAL PROJECTS	
Police Facility Expansion	\$ 9,186,817
Street Transportation Services Facility	3,365,225
Western Gateway (including roadwork)	1,046,673
Joint Fire Station with Park Township (City 50% share)	255,972
Ourstreet Improvements Projects	198,513
Kollen Park Renovation	111,698

GOVERNMENTAL-TYPE FUNDS

CAPITAL ASSETS – GOVERNMENTAL ACTIVITIES

In fiscal year 1991, a professional appraisal firm assisted with the inventory and recording of all governmental capital assets, including assignment of appraised values based on estimated original cost. Since that initial establishment, the City has maintained all additions, deletions, changes and transfers of capital assets. Depreciation of governmental activity capital assets is recognized for the second year under GASB34 for fiscal year 2003-04. Infrastructures such as roads, bridges, drainage systems, sidewalks, etc. are capitalized only for current fiscal year additions under the depreciation method. Retroactive infrastructure assets will be established to meet the GASB34 deadline of fiscal year 2006-07. The City accounting staff anticipates working closely with the City GIS and engineering staff to accomplish this task.

INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

The following tabulation summarizes Internal Services financial operations for the fiscal year in more detail than is found in the financial statements:

Internal Service Operation	FY2004 Revenues	FY2004 Expenses	Working Capital * @ June 30, 2003	Working Capital * @ June 30, 2004
<u>Technology Services:</u>				
Technology Services	\$ 530,005	\$ 615,698	\$ 227,839	\$ 208,944
Communication Services	125,245	139,594	24,601	8,963
Photocopy Services	30,338	42,386	118,193	121,126
Postage Services	<u>23,534</u>	<u>24,571</u>	<u>6,758</u>	<u>6,965</u>
Total Technology Services	709,122	822,249	377,391	345,998
<u>Equipment Services:</u>				
Fuel Dispensing	328,274	326,733	36,499	40,585
Fire Dept Equip Pool	100,036	87,886	119,431	219,467
Street Dept Equip Pool	740,574	759,483	1,557,114	1,473,577
City-Wide Motor Pool	<u>630,009</u>	<u>571,776</u>	<u>804,493</u>	<u>794,764</u>
Total Equipment Services	1,798,893	1,745,878	2,517,537	2,528,393
<u>Insurance Services:</u>				
- Workers Compensation	356,325	409,148	665,242	612,419
- Employee Health/Dental	4,099,044	4,193,763	1,063,535	968,817
- Employee Disability Income	84,976	62,628	42,557	64,905
- Property Damage/Loss	26,633	27,323	543,068	542,378
- Vehicle Damage/Loss	160,138	195,143	227,716	192,711
- General Liability	<u>139,690</u>	<u>126,079</u>	<u>238,812</u>	<u>252,423</u>
Total Insurance Services	4,866,806	5,014,084	2,780,930	2,633,653
Totals	\$ 7,374,821	\$ 7,582,211	\$ 5,675,858	\$ 5,508,044

* Includes balances designated internally for future equipment replacement and insurance reserves.

EMPLOYEES' RETIREMENT PLAN

MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM – Defined Benefit Plan

The City is a participant member of the *Michigan Municipal Employees' Retirement System (MERS)* that covers all full-time employees and certain part-time employees whose employment position meets certain criteria. Total employer-paid premium for fiscal year 2003-04 was \$1,304,961.

The most recent actuarial valuation, dated December 31, 2003, indicates that the City's valuation assets (stated at market value) provide 88.4% funding (employer portion only), based upon actuarial determined accrued liabilities of \$80,397,151, valuation assets of \$71,059,993, and unfunded accrued liabilities of \$9,337,158.

MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM – Defined Contribution Plan

The City implemented a defined contribution plan in July 2003 for all pension eligible non-union new hires. Existing non-union employees covered by the defined benefit plan were given the choice, after a lengthy review period, to convert to the defined contribution plan or stay with the defined benefit plan. A total of 64 employees (42-General City, 22-HBPW) transferred from the defined benefit plan to the defined contribution plan. ICMA Retirement Corporation is the designated MERS third party administrator for this plan. There is a standard six (6) percent City contribution with an optional two (2) percent employee contribution along with an additional City match of two (2) percent. The total contribution paid by the employer for fiscal year 2003-04 was \$155,028.

DEFERRED COMPENSATION

In addition to the MERS defined benefit plan, the City also makes available two individual deferred compensation plans whereby employees may voluntarily participate in either or both, through payroll withholding up to an annual maximum of \$13,000. The plans are sponsored and administered by *International City Management Association (ICMA)* and by *ITT Hartford*. These plans have been placed in trust, and do not appear on the financial statements.

CASH AND INVESTMENT MANAGEMENT

Most funds of the City participate in an internal *Cash & Investment Pool*, except for:

- Utility funds for Electric, Water, Wastewater
- Building Authority Capital Project Bond Proceeds
(Included as a portion of the cash status in the Facility & Land Improvements Projects Fund)
- Component Unit funds for *Holland Historical Trust*

Interest income earned by the pool is allocated by capturing the average daily balance of each individual fund relative to the average daily balance of all funds that participate in the pool. For various periods of time during the fiscal year, certain funds experienced negative daily cash balance positions in the pool; in which cases these same funds were charged with an allotted share of "negative investment earnings" correlating to the negative average daily balance.

Cash temporarily idle during the year may be invested in certificates of deposit, commercial paper, money market accounts, as well as U.S. Government securities as permitted by State of Michigan statutes and the City's *Cash and Investment Policy*. The majority of placements during fiscal year 2003-04 were in certificates of deposit, U.S. Treasury Notes and U.S. Instrumentalities.

CASH AND INVESTMENT MANAGEMENT

(Continued from Previous Page)

Yields on investments held at June 30, 2004 in the *Cash & Investments Pool* ranged from 1.42% to 3.00%. For the fiscal year, the annualized average interest rate earned in the pool was 0.958%, as compared to 2.369% for the previous fiscal year. This reflects implementation of GASB Statement No. 31 during fiscal year 1997-98 and resulting market valuation adjustments to affected investments. For fiscal year 1998-99 market write-down was \$(134,973), for fiscal year 1999-2000 market write-down was \$(147,292), for fiscal year 2000-2001 market write-up was \$230,511, for fiscal year 2001-2002 market write-down was \$(233,799), for fiscal year 2002-2003 market write-down was \$(536,296), and for fiscal year 2003-2004 market write-down was \$(488,498). The City typically buys and holds long term investments to maturity so fiscal year end market adjustments are not ultimately realized. If investments had not been valued at market the annualized average interest rate would have been 2.527%.

The exhibit below summarizes the investment earnings by fund-type for the most recent two fiscal years (including funds that do not participate in the pool).

Fund Type	Investment Earnings			
	Fiscal Year		Year-to-Year Change	
	2002-2003	2003-2004	Amount	Percentage
General Fund	\$ 332,002	\$ 173,510	\$ (158,492)	- 47.7%
Permanent	37,149	11,960	(25,189)	- 67.8
Special Revenue	165,353	43,853	(121,500)	- 73.5
Debt Service	37,289	17,529	(19,760)	- 53.0
Capital Projects	241,417	95,565	(145,852)	- 60.4
Enterprise	2,037,682	235,925	(1,801,757)	- 88.4
Internal Service	120,330	27,542	(92,788)	- 77.1
Component Units	(15,871)	90,091	105,962	667.6
Total	\$ 2,955,351	\$ 695,975	\$ (2,259,376)	- 76.5%

Investment earnings are affected by various factors, including: funds available for investment, length of investment maturities, interest rate environment at time of investment acquisition, and fluctuations in market value of the underlying security.

RISK MANAGEMENT

The City's risk management program provides for somewhat high self-funded retentions (deductibles) for various types of coverages. In several of the types of coverage, the self-funded retention is \$100,000 per occurrence. By assuming the financial risks at these somewhat higher retention levels, the premium cost for commercial insurance policy coverages is lessened.

For the past ten years, the City has embraced a somewhat unique risk management arrangement referred to as an *All-Lines Aggregate Policy* program, that provides for the annual accumulation of insurance claim payments across several unrelated types of coverages into a "aggregate loss pool". This pooled arrangement provides the City with a level of stop-loss protection that would not be available without consolidation of losses across various coverages. However, in fiscal year 1998-99, Workers Compensation coverage reverted to a commercial policy with no self-insured retention; and thereby did not participate in the All-Lines Aggregate program.

Separately designated funds are established within the Internal Service Funds group to account for various types of coverages, to include:

- Employee Workers Compensation
- Employee / Retiree Health & Dental
- Employee Disability Income Protection
- Vehicles Damage / Loss
- Property Damage / Loss
- General Liability / Public Officials Liability

RISK MANAGEMENT

(Continued from Previous Page)

With the exception of the Employee Disability Income Protection Fund, each of these funds maintains a cash funding level that is considered reasonable and necessary to provide adequate protection against potential losses (certain reserves related to coverages for Utility Funds reside in the respective Enterprise Funds).

As relates to coverage for property damage or loss, an independent asset appraisal firm is retained to provide annual appraisal updates of all fixed assets for insurance coverage purposes

The following provides an overview of the various types of coverages, self-funded levels of retention (deductibles), and the annual premiums:

Type of Coverage	Self-Funded Retention	Internal Self-Funded Premium	Commercial Premium
All-Lines Aggregate Program:			
– General Liability	\$ 100,000	\$ 25,000	\$ 288,775
– Public Officials Liability	100,000	- 0 -	84,537
– Law Enforcement Liability	100,000	- 0 -	25,361
– Property Damage / Destruction	100,000	- 0 -	458,771
Employee Workers Compensation	-0-	- 0 -	297,728
Employee Health & Dental Plan	75,000	3,253,621	475,740
Employee Disability Income Plan	48,000	62,948	26,235
Employee Life and AD&D Plans			
– Full-time Employee Plan	- 0 -	- 0 -	58,079
– Part-Paid Firefighters Plan	- 0 -	- 0 -	488
– Auxiliary Police Officers Plan	- 0 -	- 0 -	380
Crime & Dishonesty	250	- 0 -	8,453
Foreign Travel	- 0 -	- 0 -	2,500
Vehicle:			
– Vehicle Damage / Destruction	100%	10,000	- 0 -
– Liability	- 0 -	- 0 -	200,647
Pollution Liability	250,000	- 0 -	103,960
Boiler & Machinery	Varies	- 0 -	199,833
Municipal Airport:			
– General Liability	5,000	- 0 -	7,075
– Public Officials Liability	100,000	- 0 -	16,907
– Property Damage / Destruction	2,500	- 0 -	9,404
Total Premiums	- - - - -	\$ 3,351,569	\$ 2,264,873

Additional Notes:

Internal premiums are intended to assist in meeting self-funded claims, as well as the cost of commercial premiums for stop-loss and excess loss coverage.

Third-party administrative fees are included in the commercial premium amounts for various coverages listed above.

SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS

The following were among several diverse activities and programs to which both the elected officials and staff devoted an appreciable amount of their time and efforts:

- **Economic Development and Revitalization**

- > The City council continues to identify economic development as their top priority. Much of the staff time of the Assistant City Manager has been reallocated to this issue. The City is committed to developing an area-wide approach to economic development and is working in tandem with the Lakeshore Advantage regional organization and the surrounding cities, townships, counties and metropolitan planning organization. The City is aggressively promoting Brownfield Redevelopments with four separate projects to date in progress. Two major personal property tax abatements under Act 328 have been approved for Challenge Manufacturing (automotive) and Haworth, Inc. (office furniture) and Act 198 tax abatements continue to be issued prolifically.

- **City Organizational Restructuring**

- > During FY2003-04 and the early part of FY2004-05 the City fully implemented a reorganization plan which eliminated the Departments of Environmental Health & Inspections and Community Services & Development. Two new departments were established including Transportation System & Services and Community & Neighborhood Services. This reorganization was coordinated with the completion of the Transportation and Vehicle Maintenance facility referenced below and is intended to modernize and streamline the City organization. The organizational chart included at the end of this section reflects the restructuring plan.

- **Infrastructure Projects:**

- > As part of a perpetual road and utilities upgrade program, various central city streets are totally reconstructed and improved each year. A few of these streets serve a dual capacity of primary east-west arteries, as well as neighborhood streets. Most, however, are less-traveled residential neighborhood avenues. A major State of Michigan trunkline (US-31) milling and resurfacing project was completed this year.
- > As part of each upgrade program, replacements and upgrades are normally made to underground utilities, curbs & gutters, and roadside enhancement items. For the calendar year 2003, the east portion of 14th Street, from River Ave. to Fairbanks Ave. (approximately 5 city blocks) was totally reconstructed; while the east portion of 15th Street, from River Ave. to Fairbanks Ave. (approximately 5 city blocks) was identically improved in calendar year 2004.
- > A major turnback of several State trunkline roadways in the central core area was completed in September 2004 at the City's request. The City will receive \$3.5 million from the State towards the total reconstruction of many of these roadways consistent with the level of quality determined by the City's standards.
- > The River Avenue Bridge, which is the main artery connecting the City and Holland Township, will be reconstructed over the next two years. This is a major multi-jurisdictional project which will include two adjacent pedestrian bridges.

- **Electric Utility:**

- > The Electric Utility completed construction and energized the South Holland Substation in FY2003-04. Looking to FY2004-05 the focus will be working on relocation of electric transmission and distribution facilities for the River Avenue Bridge Reconstruction Project.

SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS

(Continued from Previous Page)

- Wastewater Utility:
 - > One mile of new sanitary sewer was installed to extend services to new customers in the system. Another section of sanitary sewer was replaced in 15th Street between Fairbanks and River Avenues and in Fairbanks Avenue from 8th Street to 16th Street. Construction plans are in process to increase the capacity and improve the metering for the northern service area headworks, to improve the grease and scum handling capability in the primary treatment facilities, and to improve the lime storage and feeding equipment at the wastewater treatment plant.
- Water Utility:
 - > The most significant Water Utility projects completed during FY2003-04 were the painting of the 48th Street elevated storage tank and the Waverly Road reservoir. In addition, approximately two miles of new watermain were installed, and one mile of watermain was replaced. The replacements included new watermain in 15th Street between Fairbanks and River Avenues, and in Fairbanks between 8th Street and 16th Street. Staff continues to plan for additional water supply and is considering options that include an expansion on the existing site, a plant in Laketown Township, and an interconnect with the City of Wyoming water system.
- Tulip City Municipal Airport:
 - > At the close of fiscal year 2003-04 property acquisition activity related to a 1,262 foot runway extension was completed. This \$23 million project requires that a 885 foot tunnel, to reroute South Washington Avenue, be constructed beneath the new runway. It is anticipated that this project will have a very positive economic development impact on the Holland area.
 - > The Municipal Airport Operating Fund (enterprise fund) is accounting for \$4.45 million in multi-year costs related to design, engineering, property acquisition and the actual runway extension construction. The Infrastructure Capital Projects Fund is accounting for \$18.4 million in multi-year costs related to property acquisition, wetland mitigation, road relocation and tunnel construction. Construction of the tunnel, with primary financial sponsorship by the Federal Aviation Administration (FAA) and Michigan Bureau of Aeronautics (MBA), was underway during FY2003-04 with completion anticipated during FY2004-05.
 - > Discussions have begun with surrounding cities and townships concerning formation of a separate airport authority.
- Beautification Projects:
 - > The City of Holland continues to progress with its \$2.9 million *Western Gateway Project* that will provide an attractive and functional gateway between the downtown area and Kollen Park/Lake Macatawa. West 7th Street reconstruction bordering the Western Gateway Project, construction of a large public parking lot, and the first section of the West 8th Street roadway improvements have been completed. Further streetscape, snowmelt, canopy, and roadway enhancements will be completed during FY2004-05. The canopy structure will house the outdoor "Market" operation which will encompass an expanded concept from the existing farmers' market. During special events and festivals the street will be closed to vehicular traffic to accommodate the new venue. Renovation or replacement of the aging Civic Center building, which sits in the southwest corner of this site footprint, is in the preliminary stage of study.
 - > A land swap between the City and Hope College took place in April 2004 to facilitate the development of the *Eastern Gateway* area of the downtown. The land upon which the former Street Facility was located upon was turned over to Hope College for inclusion in their DeVos Fieldhouse project. In exchange, the City received adjacent property from Hope College for future roadway development of a vehicular roundabout. These projects will greatly enhance this site which formerly contained a dilapidated factory.

SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS

(Continued from Previous Page)

- **Macatawa Area Public Transit System:**

- > The City's Dial-A-Ride program became the Macatawa Area Public Transit System (MAX) on January 17, 2000 when the City of Zeeland and Holland Charter Township joined the City of Holland under a cooperative service agreement.
- > The City transit millage rate was 0.15 mills from FY1998-99 through FY2000-01, increased to 0.25 mills for FY2001-02, slightly decreased for FY2003-03 to 0.2234 mills, slightly decreased for FY2003-04 to 0.2000 mills and decreased for FY2004-05 to 0.1000 mills.
- > Discussions between the currently participating governmental units concerning possible formation of a separate public transportation authority are anticipated to continue.

- **Financing and Implementation of New Municipal Buildings:**

- > A new City Police Department / County District Court building complex is underway next door to the Western Gateway Project. The development site includes the former Police Department / District Court property, together with an expanded area through acquisition of several additional adjacent properties. The \$15.2 million 80,000 square foot Police facility was completed in September 2004, with financing primarily from bonded debt issued in the early part of FY2002-03, through the City's Building Authority. The County of Ottawa will finance the cost for the new District Court facility for which construction will begin within the next few months.
- > A new state of the art 78,600 square foot consolidated Transportation and Vehicle Maintenance building complex was completed in FY2003-04. Total outlay for this facility was \$5.74 million, with financing primarily from bonded debt issued in the early part of fiscal year 2002-03, through the City's Building Authority.

- **Fire Department Activity**

- > Construction on a \$1.09 million joint fire station (City of Holland share is 50% or \$546,000) was completed in FY2003-04. The joint fire station is located in Park Township and all operating costs are shared equally by both governmental entities.
- > Three new outdoor warning sirens were installed in FY2003-04.

- **Financial Reporting and Budgeting:**

- > The accompanying financial statements for FY2003-04 were prepared in accordance with GASB Statement No. 34 for the second time. Electric, water, and sanitary sewer infrastructure fixed assets are fully recorded. Street, drain and sidewalk infrastructure fixed assets acquired in FY2002-03 and FY2003-04 have been recorded and retrospective reporting is planned for completion no later than the mandatory deadline in FY2006-07. It is anticipated that the City's fully developed GIS system will greatly aid in this process.
- > The City received the GFOA Distinguished Budget Presentation Award for the first time in November 2003 based upon the submission of the FY2003-04 budget document. Additional enhancements to the budget document for FY2004-05 were made based upon GFOA reviewer comments.

INDEPENDENT AUDIT REQUIREMENTS

As required by the *Holland City Charter* and the *Michigan Uniform Accounting and Reporting Act*, the financial statements contained in this report have been examined by an independent certified public accounting firm. This requirement has been fulfilled and the certified public accounting firm of Rehmann Robson has issued an opinion on the financial statements.

Additionally, the City is required to undergo an annual audit concerning conformance with provisions of the *Single Audit Act of 1984, as amended* and *OMB Circular A-133, Audits of State and Local Governments and Non Profits Organizations*. Information and auditor's findings related to the so-called *Single Audit* are published as a separate report. However, financial activity related to single audit reporting requirements, such as Community Development Block Grants and Public Transportation System grants are also included in this report.

CERTIFICATE OF ACHIEVEMENT

The *Government Finance Officers Association of the United States and Canada* (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Holland for its comprehensive annual financial report of the fiscal year ended June 30, 2003. This is considered a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded the certificate, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.

The certificate is valid for a period of one year only. The fiscal year ending June 30, 1992 was the initial receipt of this award for the City of Holland. We believe the current report continues to conform to the Certificate of Achievement program requirements, and is submitted to GFOA to determine its eligibility for another certificate. A copy of the previous fiscal year certificate is included at the conclusion of this transmittal.

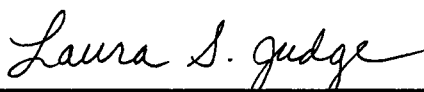
ACKNOWLEDGMENTS

The preparation of this report could not have been completed without the efficiency and commitment provided by the entire finance staff, including the Board of Public Works (utilities).

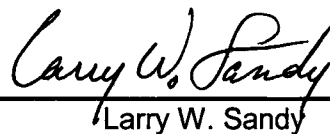
Appreciation is extended to all employees who assisted in the preparation of this report in a responsible, accurate and timely manner. Special acknowledgment is extended to staff employee, *Michelle Price*, Senior Municipal Accountant, for her efforts and assistance in preparation of financial statement and statistical table presentations in this report.

The independent auditing firm, *Rehmann Robson*, provided immense assistance for proper presentation, in the form of counsel, suggestions, and direct input.

Respectfully submitted,



Laura S. Judge
Assistant Finance Officer



Larry W. Sandy
Finance Officer/Treasurer

PRINCIPAL CITY OFFICIALS

@ June 30, 2004

Elected Members of the City Council

Mayor	Albert H. McGeehan
Council Member, At Large	Jerome Kobes
Council Member, At Large	Linda A. Falstad
Council Member, First Ward	Myron Trethewey
Council Member, Second Ward	Victor Orozco
Council Member, Third Ward	Craig Rich
Council Member, Fourth Ward	Robert Vande Vusse
Council Member, Fifth Ward	Rebecca Israels
Council Member, Sixth Ward	David Hoekstra

Staff Officials Appointed by City Council

City Manager	Soren Wolff
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Staff Officials Appointed by City Manager Subject to City Council Approval

City Attorney	Andrew J. Mulder (Cunningham Dalman, P.C.)
City Clerk	Jenifer L. French
City Finance Officer/Treasurer	Larry W. Sandy

Staff Officials Appointed by City Manager Not Subject to City Council Approval

Assistant City Manager	Gregory Robinson
Chief of Police	John Kruithoff
Fire Chief	Dan Henderson
Director of Community & Neighborhood Services	Philip Meyer (effective Sept. 2004)
Leisure / Cultural Services Director (Interim)	Gray Gogolin
Technology Services Manager	Donald Steeby
Director of Transportation Services (Interim)	Jodi Syens
Director of Human Resources	Gary Rahn
Human Relations Director	Alberto Serrano
Property Assessing Administrator (Interim)	David VanderHeide

Staff Officials Appointed by Boards or Commissions

Board of Public Works (Utilities) General Manager	Timothy Morawski
Board of Public Works (Utilities) Finance Director	Freda Velzen

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Holland,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

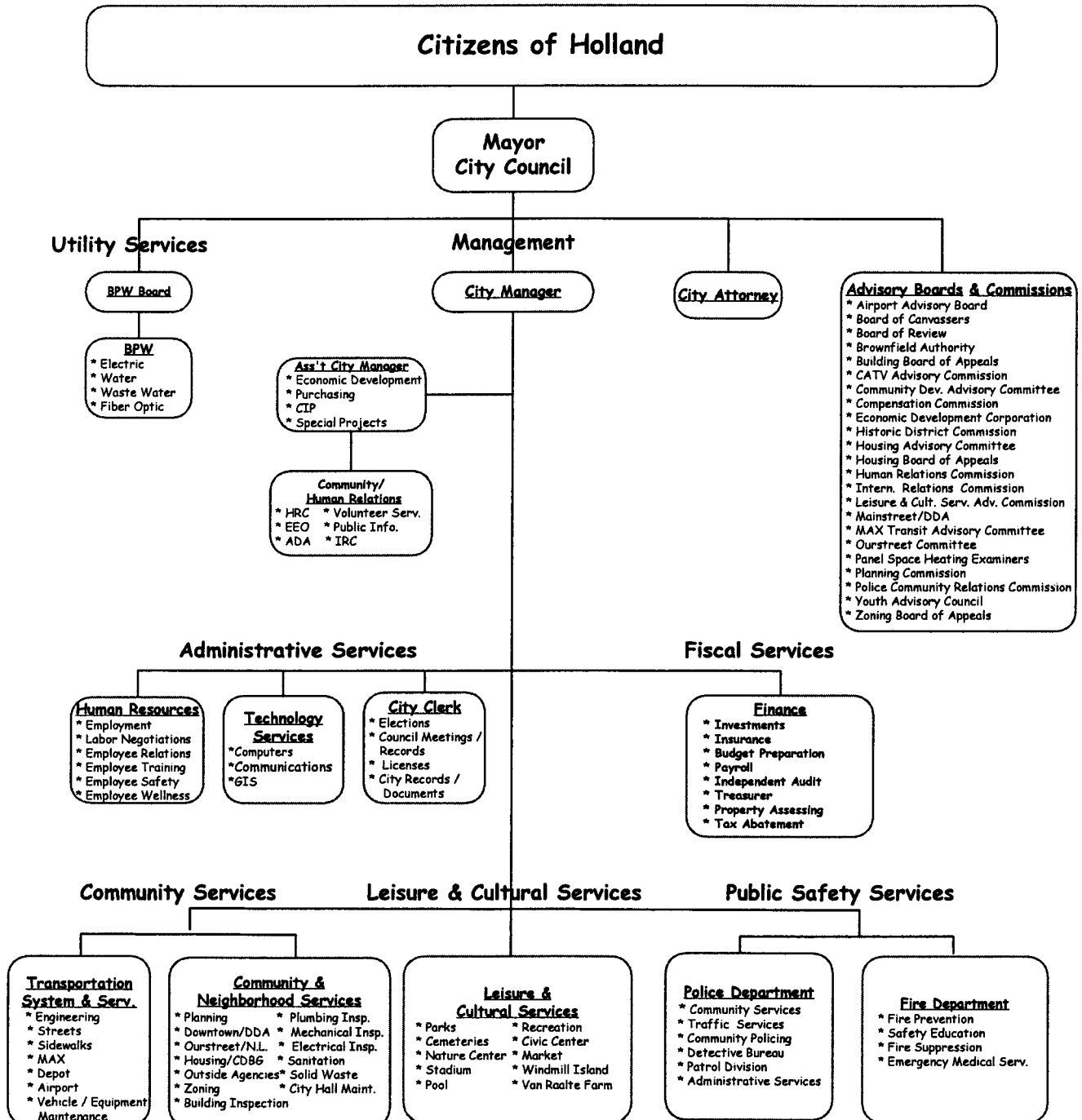
President

Jeffrey R. Enen

Executive Director

City of Holland

Organizational Chart





REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

October 29, 2004

Honorable Mayor and City Council
Holland, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Holland, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Holland, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information for the City of Holland, Michigan as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 29, 2004, on our consideration of the City of Holland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3-13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Holland's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the City of Holland's basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Lehmann Johnson

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Holland, we offer readers of the City of Holland financial statements this narrative overview and analysis of the financial activities of the City of Holland for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in our transmittal letter, the financial statements and notes to the financial statements.

Financial Highlights

The City had many capital investment projects in process including:

- Several street reconstruction projects including the Western Gateway of Downtown Holland Market, an open air canopy structure
- A property swap, resulting in a land contract with Hope College, in the Eastern Gateway area of Downtown Holland in conjunction with the College's DeVos Fieldhouse project
- A \$17,394,000 airport tunnel and road relocation project, along with \$1,148,000 in property acquisition costs, to enable the upcoming airport runway extension
- Work continued on a new City Police/County District Court building complex and was virtually completed for a new Transportation and Vehicle Maintenance facility which were financed by Building Authority bonds of \$19,500,000 in the prior fiscal year
- The City's utility funds expended a total of \$11,716,016 in capital purchases and projects

The City issued \$9,570,000 Building Authority refunding bonds during the fiscal year to realize total net cumulative savings of \$407,585.

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$285,652,013 (net assets). Of this amount, \$101,285,027 was unrestricted net assets and may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net assets increased by \$16,441,125.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$18,539,592, a decrease of \$12,588,663 in comparison with the prior year. Approximately 70 percent of this total amount, or \$13,011,780, is available for spending at the City's discretion (unreserved and undesignated fund balance).

At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$2,551,853 or 13.8% of total General Fund expenditures (including operating transfers).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Holland financial statements. The City of Holland basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Holland finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Holland assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Holland is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Holland that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Holland include general government, public safety, public works, welfare and social services, and culture and recreation. The business-type activities of the City of Holland include electric, water, and wastewater.

The government-wide financial statements include not only the City of Holland itself (known as the *primary government*), but also legally separate component units for which the City of Holland is financially accountable. Component units include the Downtown Development Authority, the Holland Historical Trust and the Brownfield Redevelopment Authority. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 14-16 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Holland, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Holland can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Holland reports 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Building Authority Debt Service, Infrastructure Projects and Facility and Land Improvement Projects Funds, each of which are considered to be major funds. Data from the other 14 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Holland adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 17-21 of this report.

Proprietary funds. The City of Holland maintains 2 different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Holland uses enterprise funds to account for its Electric, Water, and Wastewater as well as other operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Holland's various functions. The City of Holland uses internal service fund to account for its Technology, Equipment and Insurance services. Because this service predominantly benefits governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the enterprise operations of which Electric, Water, and Wastewater are considered to be major funds of the City of Holland.

The basic proprietary fund financial statements can be found on pages 22-25 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Holland own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statement can be found on page 26 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-53 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes. Combining and individual fund statements and schedules can be found on pages 56-88 of this report.

Government-wide Financial Analysis

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Holland, assets exceeded liabilities by \$285,652,013 at the close of the most recent fiscal year.

The largest portion of the City of Holland net assets (60%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City of Holland uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Holland investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Holland Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 39,899,749	\$ 54,147,352	\$ 89,734,996	\$ 88,549,782	129,634,745	\$142,697,134
Capital assets	64,018,514	39,014,472	166,901,908	166,346,366	230,920,422	205,360,838
Total assets	103,918,263	93,161,824	256,636,904	254,896,148	360,555,167	348,057,972
Long-term liabilities outstanding	36,531,438	37,543,913	24,490,864	27,475,389	61,022,302	65,019,302
Other liabilities	5,775,398	6,733,847	8,105,454	7,093,935	13,880,852	13,827,782
Total liabilities	42,306,836	44,277,760	32,596,318	34,569,324	74,903,154	78,847,084
Net assets:						
Invested in capital assets, net						
of related debt	27,487,076	4,326,052	142,754,355	139,109,944	170,241,431	143,435,996
Restricted	3,412,885	3,041,791	7,842,076	10,089,985	14,125,555	13,131,776
Unrestricted	30,711,466	41,516,221	73,444,155	71,126,895	101,285,027	112,643,116
Total net assets	<u>\$ 61,611,427</u>	<u>\$ 48,884,064</u>	<u>\$ 224,040,586</u>	<u>\$ 220,326,824</u>	<u>\$ 285,652,013</u>	<u>\$ 269,210,888</u>

An additional part of the City of Holland's net assets (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance (\$101,285,027) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Holland is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the previous year.

Statement of Activities

The government's net assets increased by \$16,441,125 during the current fiscal year. This growth is due to grants received from the federal government (approximately \$5,200,000) and the excess of operating revenues over expenses.

Governmental activities

Governmental activities increased the City of Holland's net assets by \$12,727,363, thereby accounting for 77.4% of the total growth in net assets of the City of Holland. Key elements of this increase are as follows.

Capital grants from several sources resulted in total grant revenue for governmental type funds of \$14,898,954. This is made-up primarily of an \$8.3 million grant for airport runway construction.

Business-type activities

Business-type activities increased the City of Holland's net assets by \$3,713,762, thereby accounting for 22.6% of the total growth in the net assets of the City of Holland. Key elements of this increase are as follows.

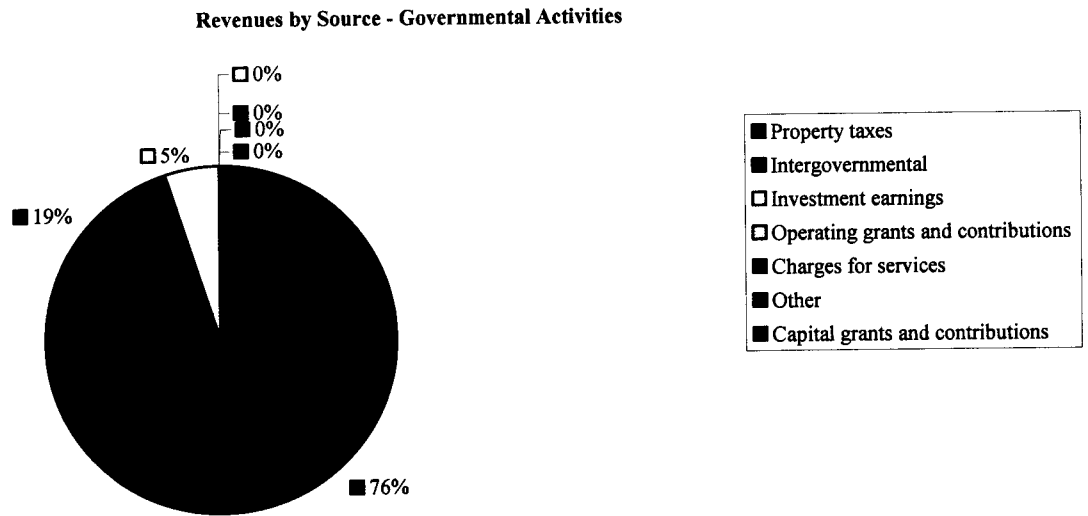
The Electric utility generated approximately \$3,188,000 more revenues than it used.

Approximately \$2,966,000 in grants were made to business-type activities during the year.

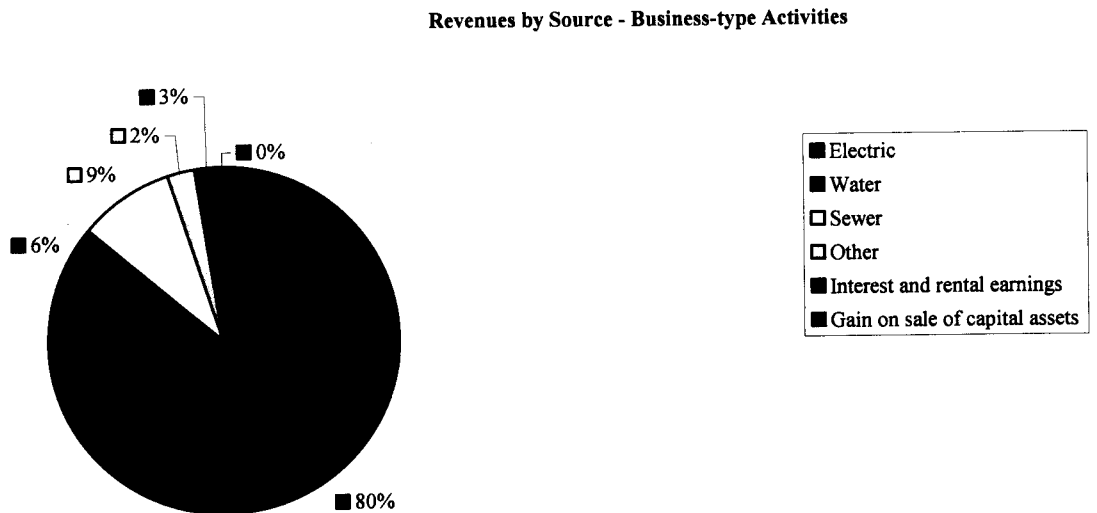
City of Holland Changes in Net Assets

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenue:						
Program revenue:						
Charges for services	\$ 4,958,679	\$ 4,196,942	\$ 78,715,283	\$ 78,178,224	\$ 83,673,962	\$ 82,375,164
Operating grants and contributions	1,813,765	1,625,468	1,829,910	1,796,648	3,643,675	3,422,116
Capital grants and contributions	13,085,189	3,710,288	1,136,306	1,487,949	14,221,495	5,198,237
General revenue:						
Property taxes	15,286,387	14,898,818	217,306	234,954	15,503,693	15,133,772
Intergovernmental	3,412,306	3,700,383	-	-	3,412,306	3,700,383
Interest earnings and gains (losses)	479,191	830,677	235,927	2,057,036	715,118	2,887,713
Total revenue	<u>39,035,517</u>	<u>28,962,576</u>	<u>82,134,732</u>	<u>83,754,811</u>	<u>121,170,249</u>	<u>112,717,385</u>
Expenses:						
General government	6,055,106	5,076,083	-	-	6,055,106	5,076,083
Public safety	9,787,165	9,567,243	-	-	9,787,165	9,567,243
Public works	3,330,034	3,267,272	-	-	3,330,034	3,267,272
Welfare and social services	1,371,551	1,390,845	-	-	1,371,551	1,390,845
Recreation and culture	5,725,045	5,755,879	-	-	5,725,045	5,755,879
Interest on long-term debt	2,150,038	1,621,923	-	-	2,150,038	1,621,923
Electric utility	-	-	59,519,913	56,964,153	59,519,913	56,964,153
Water utility	-	-	7,068,457	7,019,711	7,068,457	7,019,711
Wastewater utility	-	-	4,927,953	4,574,975	4,927,953	4,574,975
Other enterprise activities	-	-	4,793,862	4,524,561	4,793,862	4,524,561
Total expenses	<u>28,418,939</u>	<u>26,679,245</u>	<u>76,310,185</u>	<u>73,083,400</u>	<u>104,729,124</u>	<u>99,762,645</u>
Transfers	<u>2,110,785</u>	<u>1,378,919</u>	<u>(2,110,785)</u>	<u>(1,378,919)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	12,727,363	3,662,248	3,713,762	9,292,492	16,441,125	12,954,740
Net assets - beginning of year	<u>48,884,064</u>	<u>45,221,816</u>	<u>220,326,824</u>	<u>211,034,332</u>	<u>269,210,888</u>	<u>256,256,148</u>
Net assets - end of year	<u>\$61,611,427</u>	<u>\$48,884,064</u>	<u>\$224,040,586</u>	<u>\$220,326,824</u>	<u>\$285,652,013</u>	<u>\$ 269,210,888</u>

Revenues by Source - Governmental Activities

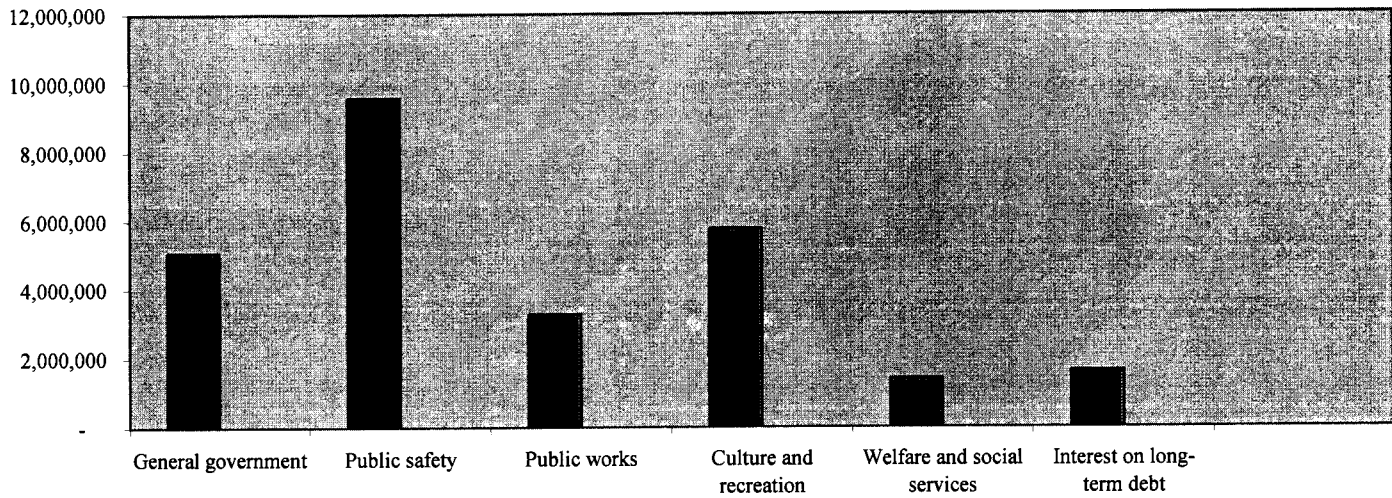


Revenues by Source - Business-type Activities



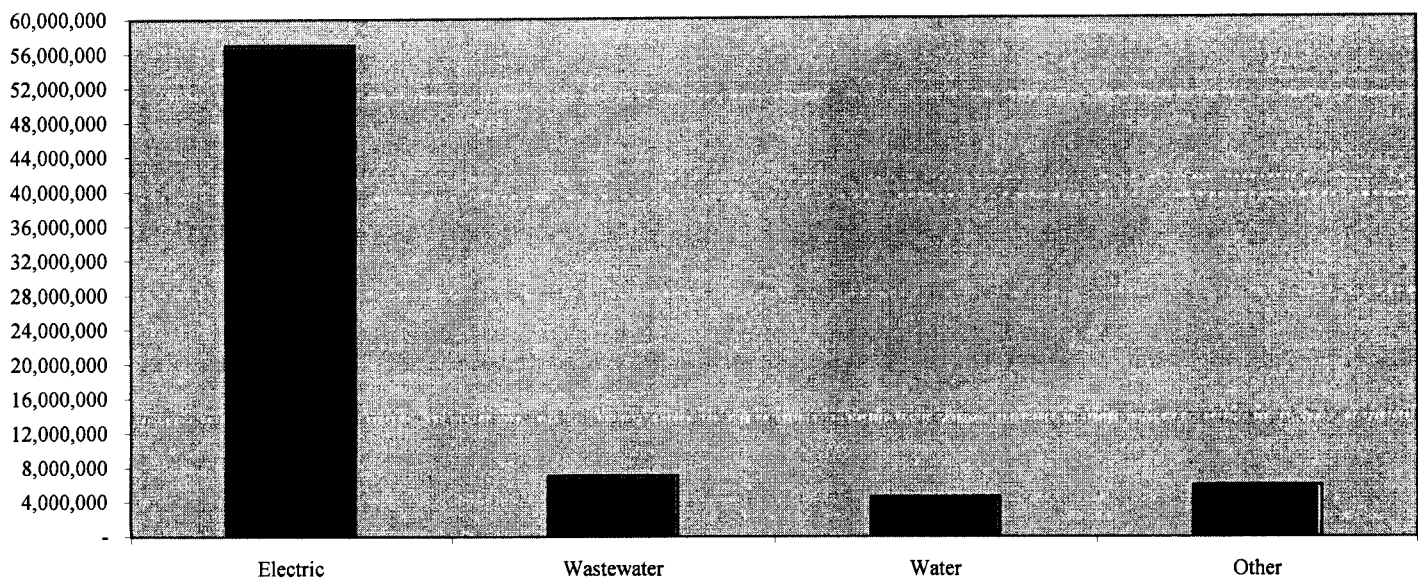
Expenses - Governmental Activities

Expenses - Governmental Activities



Expenses – Business-type Activities

Expenses - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City of Holland uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Holland *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Holland financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The overall results of the governmental fund operations was a decrease in net assets of \$12,588,663. Major funds results were varied as the general fund resulted in a loss of \$238,082 and the Facility and Land Improvements Projects fund posted a spent down fund balance by \$13,509,654.

Proprietary funds. The City of Holland proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

The enterprise fund operations all resulted in an increase in net assets with the exception of the Wastewater fund , which showed a \$174,872 loss. Overall the net assets of the enterprise funds increased \$3,713,762.

General Fund Budgetary Highlights

The most significant differences between the original budget and the amended budget are related to general fund revenue projections. Property tax revenue projections were decreased due to tax tribunal changes; interest revenue and state shared revenue projections were both decreased during the year as more concrete data became available.

Capital Asset and Debt Administration

The City finished several significant infrastructure improvement projects, financed in part by the issuance of debt. Specifically, the City completed 19.5 million dollars in building projects related to a new public safety facility and a new transportation and vehicle maintenance facility.

City of Holland Capital Assets
(net of depreciation)

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Land	\$ 8,130,818	\$11,850,516	\$19,981,334
Construction in process	27,358,144	1,043,878	28,402,022
Buildings, equipment, and infrastructure, net	<u>28,529,552</u>	<u>154,007,514</u>	<u>182,537,066</u>
Total	<u>\$64,018,514</u>	<u>\$166,901,908</u>	<u>\$230,920,422</u>

Additional information on the City of Holland capital assets can be found in note 5 on pages 40-42 of this report.

LONG-TERM DEBT

City of Holland Outstanding Debt
General Obligation and Revenue Bonds

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
General obligation bonds and other debt	\$36,531,438	\$ -	\$36,531,438
Revenue bonds	<u>-</u>	<u>24,039,276</u>	<u>24,039,276</u>
Total	<u>\$36,531,438</u>	<u>\$24,039,276</u>	<u>\$60,570,714</u>

The City of Holland's most recent general obligation bond issue had a rating of AA from Standard & Poor's and a rating of Aa3 from Moody's.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of the State Equalized Value. The current debt limitation for the City of Holland is \$105,407,600.

Additional information on the City of Holland long-term debt can be found in note 6 on pages 43-47 of this report.

Economic Factors and Next Year's Budgets and Rates

The economic outlook for the City's future includes expected growth as significant infrastructure projects including an upgrade to the airport and further consideration of the 31 bypass projects increase the area's appeal to residents and businesses.

State funding is anticipated to decline which will cause the City to be creative as it continues to provide its constituents service on a reduced budget.

Requests for Information

This financial report is designed to provide a general overview of the City of Holland finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Laura Judge, City of Holland, 270 River Ave., Holland, Michigan 49423.

CITY OF HOLLAND, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2004

	PRIMARY GOVERNMENT			COMPONENT UNITS		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	DOWNTOWN DEVELOPMENT AUTHORITY	HOLLAND HISTORICAL TRUST	BROWNFIELD REDEVELOPMENT AUTHORITY
Assets						
Cash and pooled investments	\$ 23,447,184	\$ 10,654,798	\$ 34,101,982	\$ 140,644	\$ 150,118	\$ 2,844
Investments	3,135,803	50,549,505	53,685,308	-	685,169	-
Receivables						
Accounts	423,060	8,865,826	9,288,886	2,798	650	-
Taxes	25,073	365	25,438	1,824	-	-
Interest	109,861	234,551	344,412	-	-	-
Leases	630,000	-	630,000	-	-	-
Other governments	1,969,553	823,054	2,792,607	-	-	-
Internal balances	175,211	(175,211)	-	-	-	-
Prepaid items and other assets	262,869	107,784	370,653	200	-	-
Net Pension Asset	1,140,458	-	1,140,458	-	-	-
Inventory	20,898	5,121,654	5,142,552	-	14,376	-
Restricted assets						
Cash and pooled investments	-	5,484,800	5,484,800	-	-	-
Investments	-	8,060,991	8,060,991	-	-	-
Accrued interest	-	6,879	6,879	-	-	-
Long-term assets						
Special assessments	1,914,779	-	1,914,779	-	-	-
Leases	6,645,000	-	6,645,000	-	-	-
Capital assets						
Land	8,130,818	11,850,516	19,981,334	-	60,000	-
Construction in progress	27,358,144	1,043,878	28,402,022	-	-	-
Capital assets, net of depreciation	28,529,552	154,007,514	182,537,066	171,266	1,255,938	-
Total assets	103,918,263	256,636,904	360,555,167	316,732	2,166,251	2,844
Liabilities						
Accounts payable	3,007,721	6,870,658	9,878,379	5,055	7,094	-
Accrued payroll and benefits	687,031	1,032,186	1,719,217	4,547	14,686	-
Due to other governments	9,694	-	9,694	12	-	-
Accrued interest payable	297,368	363,541	660,909	-	-	-
Accrued compensated absences	1,440,567	14,264	1,454,831	11,028	-	-
Unearned revenue	231,529	168,116	399,645	-	-	-
Deposits	101,488	-	101,488	-	-	-
Noncurrent liabilities:						
Due within one year from restricted assets	-	2,840,000	2,840,000	-	-	-
Due within one year	2,094,475	493,277	2,587,752	-	-	-
Due in more than one year	34,436,963	20,814,276	55,251,239	-	-	-
Total liabilities	42,306,836	32,596,318	74,903,154	20,642	21,780	-
Net Assets						
Invested in capital assets, net of related debt	27,487,076	142,754,355	170,241,431	171,266	1,315,938	-
Restricted for:						
Enterprise funds	-	10,712,670	10,712,670	-	-	-
Holland Historical Trust	-	-	-	-	828,533	-
Debt service	950,036	-	950,036	-	-	-
Capital projects	590,190	-	590,190	-	-	-
Budget stabilization	1,872,659	-	1,872,659	-	-	-
Unrestricted	30,711,466	70,573,561	101,285,027	124,824	-	2,844
Total net assets	\$ 61,611,427	\$ 224,040,586	\$ 285,652,013	\$ 296,090	\$ 2,144,471	\$ 2,844

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLAND, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2004

Functions / Programs	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Primary government					
Governmental activities:					
General government	\$ 6,055,106	\$ 2,639,966	\$ 153,694	\$ 4,788	\$ (3,256,658)
Public safety	9,787,165	893,450	171,603	32,808	(8,689,304)
Public works	3,330,034	310,217	886,178	13,047,593	10,913,954
Culture and recreation	5,725,045	904,771	27,557	-	(4,792,717)
Welfare and social services	1,371,551	210,275	574,733	-	(586,543)
Interest on debt	2,150,038	-	-	-	(2,150,038)
Total governmental activities	<u>28,418,939</u>	<u>4,958,679</u>	<u>1,813,765</u>	<u>13,085,189</u>	<u>(8,561,306)</u>
Business-type activities:					
Electric utility	59,519,913	64,819,973	-	-	5,300,060
Wastewater utility	7,068,457	6,912,837	-	-	(155,620)
Water utility	4,927,953	5,251,241	-	-	323,288
Other enterprise activities	4,793,862	1,731,232	1,829,910	1,136,306	(96,414)
Total business-type activities	<u>76,310,185</u>	<u>78,715,283</u>	<u>1,829,910</u>	<u>1,136,306</u>	<u>5,371,314</u>
Total primary government	<u>\$ 104,729,124</u>	<u>\$ 83,673,962</u>	<u>\$ 3,643,675</u>	<u>\$ 14,221,495</u>	<u>\$ (3,189,992)</u>
Component units					
Downtown Development Authority	\$ 174,369	\$ -	\$ 15,010	\$ -	\$ (159,359)
Holland Historical Trust	671,796	176,172	85,916	-	(409,708)
Brownfield Redevelopment Authority	10,053	-	1,000	-	(9,053)
Total component units	<u>\$ 856,218</u>	<u>\$ 176,172</u>	<u>\$ 101,926</u>	<u>\$ -</u>	<u>\$ (578,120)</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLAND, MICHIGAN

STATEMENT OF ACTIVITIES (CONCLUDED)

YEAR ENDED JUNE 30, 2004

	PRIMARY GOVERNMENT			COMPONENT UNITS		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	DOWNTOWN DEVELOPMENT AUTHORITY	HOLLAND HISTORICAL TRUST	BROWNFIELD REDEVELOPMENT AUTHORITY
Changes in net assets						
Net (expense) revenue	\$ (8,561,306)	\$ 5,371,314	\$ (3,189,992)	\$ (159,359)	\$ (409,708)	\$ (9,053)
General revenues:						
Property taxes	15,286,387	217,306	15,503,693	156,384	-	11,967
Intergovernmental	3,412,306	-	3,412,306	-	276,925	-
Investment earnings - unrestricted	479,191	235,927	715,118	1,869	88,161	(70)
Transfers - internal activities	2,110,785	(2,110,785)	-	-	-	-
Total general revenues and transfers	21,288,669	(1,657,552)	19,631,117	158,253	365,086	11,897
Change in net assets	12,727,363	3,713,762	16,441,125	(1,106)	(44,622)	2,844
Net assets, beginning of year	48,884,064	220,326,824	269,210,888	297,196	2,189,093	-
Net assets, end of year	\$ 61,611,427	\$ 224,040,586	\$ 285,652,013	\$ 296,090	\$ 2,144,471	\$ 2,844

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLAND, MICHIGAN

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2004

	GENERAL FUND	BUILDING AUTHORITY DEBT SERVICE	INFRASTRUCTURE PROJECTS	FACILITY AND LAND IMPROVEMENT PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and pooled investments	\$ 4,231,343	\$ 6,112	\$ 400,049	\$ 2,443,775	\$ 10,583,104	\$ 17,664,383
Investments	-	-	-	3,135,803	-	3,135,803
Accrued interest	109,861	-	-	-	-	109,861
Accounts receivable	71,504	6,051	2,377	221,148	66,670	367,750
Taxes receivable	20,169	-	-	-	4,904	25,073
Prepaid items	6,201	-	-	-	300	6,501
Due from other funds	106	-	202,576	513,260	64,810	780,752
Leases receivable	-	7,275,000	-	-	-	7,275,000
Special assessments receivable	-	-	8,050	-	1,906,729	1,914,779
Due from other governmental units	602,965	-	507,117	46,021	769,603	1,925,706
Total assets	\$ 5,042,149	\$ 7,287,163	\$ 1,120,169	\$ 6,360,007	\$ 13,396,120	\$ 33,205,608
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 343,623	\$ -	\$ 227,970	\$ 1,794,506	\$ 148,926	\$ 2,515,025
Accrued payroll and benefits	591,118	-	693	-	51,087	642,898
Earned employee compensated absences	1,351,694	-	-	-	2,500	1,354,194
Due to other funds	102,373	-	138,804	46,021	334,211	621,409
Due to other governmental units	-	-	-	-	9,694	9,694
Deposits	101,488	-	-	-	-	101,488
Deferred revenue	-	7,275,000	162,512	2,654	1,981,142	9,421,308
Total liabilities	2,490,296	7,275,000	529,979	1,843,181	2,527,560	14,666,016
FUND BALANCES:						
Reserved reported in:						
Special revenue funds for capital projects	-	-	-	-	3,700,089	3,700,089
Permanent trust funds	-	-	-	-	1,827,723	1,827,723
Unreserved reported in:						
Special revenue funds	-	-	-	-	4,402,875	4,402,875
Debt service funds	-	-	-	-	937,873	937,873
Other funds	2,551,853	12,163	590,190	4,516,826	-	7,671,032
Total fund balances	2,551,853	12,163	590,190	4,516,826	10,868,560	18,539,592
Total liabilities and fund balances	\$ 5,042,149	\$ 7,287,163	\$ 1,120,169	\$ 6,360,007	\$ 13,396,120	\$ 33,205,608

(Concluded)

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLAND, MICHIGAN
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
JUNE 30, 2004

Fund balances - total governmental funds	\$ 18,539,592
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets, net	59,732,040
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An internal service fund is used by management to charge the costs of certain equipment usage and self-insurance to individual governmental funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Add - net assets of governmental activities accounted for in the internal service fund	9,794,517
--	-----------

Some items are recorded as revenues and expenditures in the fund statements when paid or when received. These items are recorded on the government-wide statements when incurred in the case of expenditures and when revenues are earned

Add - net pension asset	1,140,458
Add - additional amounts due from other governments	43,844
Add - deferred revenue on lease from library	7,275,000
Add- deferred revenue from special assessments	1,914,782

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds payable and environmental clean-up costs	(36,531,438)
Deduct - accrued interest on bonds payable	<u>(297,368)</u>

Net assets of governmental activities	<u>\$ 61,611,427</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF HOLLAND, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2004

	GENERAL FUND	BUILDING AUTHORITY DEBT SERVICE	INFRASTRUCTURE PROJECTS	FACILITY AND LAND IMPROVEMENT PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Special assessments	\$ -	\$ -	\$ 619	\$ -	\$ 608,697	\$ 609,316
Property taxes	10,652,475	-	108,453	542,449	4,330,511	15,633,888
Licenses and permits	482,360	-	-	-	-	482,360
Intergovernmental	3,341,449	-	9,968,351	435,074	4,070,633	17,815,507
Charges for services	881,779	-	4,550	-	146,503	1,032,832
Fines and fees	237,187	-	-	-	196,977	434,164
Contributions from private sector	-	-	14,362	16,698	780,309	811,369
Interest and rents	349,250	2,514,951	1,789	108,369	187,479	3,161,838
Miscellaneous	12,227	-	-	-	12,311	24,538
Total revenues	15,956,727	2,514,951	10,098,124	1,102,590	10,333,420	40,005,812
EXPENDITURES:						
Current						
General government	3,531,670	-	-	-	2,035,053	5,566,723
Public safety	9,277,812	-	-	-	251,422	9,529,234
Public works	1,173,165	-	-	-	1,851,522	3,024,687
Welfare and social services	582,131	-	-	-	-	582,131
Culture and recreation	3,331,212	-	-	-	2,513,587	5,844,799
Other	144,212	-	-	-	-	144,212
Capital outlay	-	-	11,940,832	14,253,019	116,354	26,310,205
Debt services						
Principal retirement	-	1,015,000	-	-	814,475	1,829,475
Interest and fiscal charges	-	1,973,698	-	-	292,837	2,266,535
Total expenditures	18,040,202	2,988,698	11,940,832	14,253,019	7,875,250	55,098,001
Excess (deficiency) of revenues over expenditures	(2,083,475)	(473,747)	(1,842,708)	(13,150,429)	2,458,170	(15,092,189)
OTHER FINANCING SOURCES (USES):						
Transfers in	2,350,451	-	2,217,915	787,843	2,478,864	7,835,073
Transfers out	(505,058)	-	-	(1,147,068)	(4,159,421)	(5,811,547)
Bond issue and land contract	-	480,000	-	-	-	480,000
Total other financing sources (uses)	1,845,393	480,000	2,217,915	(359,225)	(1,680,557)	2,503,526
NET CHANGE IN FUND BALANCES	(238,082)	6,253	375,207	(13,509,654)	777,613	(12,588,663)
FUND BALANCES - Beginning of year	2,789,935	5,910	214,983	18,026,480	10,090,947	31,128,255
FUND BALANCES - End of year	\$ 2,551,853	\$ 12,163	\$ 590,190	\$ 4,516,826	\$ 10,868,560	\$ 18,539,592

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLAND, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds \$ (12,588,663)

Amounts reported for *governmental activities* in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Add - capital outlay	26,670,823
Deduct - depreciation expense	(1,363,905)
Deduct - loss on sales of capital assets	(248,300)

Bond proceeds provide current financial resources to governmental funds in the period
issued, but issuing bonds increases long-term liabilities in the statement of net assets.
Repayment of bond principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	1,829,475
Deduct - proceeds of long-term debt	(480,000)
Deduct - proceeds from issuance of land contract	(352,000)

An internal service fund is used by management to charge the costs of certain
equipment usage to individual governmental funds. The net revenue (expense) of the
fund attributable to those funds is reported with governmental activities.

Add - income (loss) from governmental activities in internal service fund	(207,393)
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Some expenses reported in the statement of activities do not require the use of current
financial resources and therefore are not reported as expenditures in the funds.

Deduct- decrease in net pension asset	(23,033)
Deduct - current year change in special assessments receivable	(347,501)
Deduct - library lease payment	(290,000)
Add - decrease in accrued interest on bonds payable	116,497
Add - increase in library lease interest receivable	11,363

Change in net assets of governmental activities	<u>\$ 12,727,363</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF HOLLAND, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL GENERAL FUND

YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Property taxes	\$ 10,773,082	\$ 10,613,751	\$ 10,652,475	\$ 38,724
Licenses and permits	418,050	424,068	482,360	58,292
Intergovernmental	3,610,515	3,367,577	3,341,449	(26,128)
Charges for services	911,550	867,630	881,779	14,149
Fines and forfeits	245,000	245,000	237,187	(7,813)
Interest and rents	575,600	417,829	349,250	(68,579)
Miscellaneous	8,000	12,834	12,227	(607)
Total revenues	16,541,797	15,948,689	15,956,727	8,038
EXPENDITURES:				
Current:				
General government	3,657,690	3,564,066	3,531,670	32,396
Public safety	9,101,322	9,198,924	9,277,812	(78,888)
Public works	1,214,614	1,205,525	1,173,165	32,360
Welfare and social services	654,606	606,206	582,131	24,075
Culture and recreation	3,358,023	3,431,019	3,331,212	99,807
Other	258,500	156,900	144,212	12,688
Total expenditures	18,244,755	18,162,640	18,040,202	122,438
Excess of revenues over (under) expenditures	(1,702,958)	(2,213,951)	(2,083,475)	130,476
OTHER FINANCING SOURCES (USES):				
Transfers in	2,348,000	2,367,042	2,350,451	(16,591)
Transfers out	(449,552)	(498,229)	(505,058)	(6,829)
Total other financing sources (uses)	1,898,448	1,868,813	1,845,393	(23,420)
NET CHANGES IN FUND BALANCE	195,490	(345,138)	(238,082)	107,056
FUND BALANCE - Beginning of year	2,789,935	2,789,935	2,789,935	-
FUND BALANCE - End of year	\$ 2,985,425	\$ 2,444,797	\$ 2,551,853	\$ 107,056

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLAND, MICHIGAN

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

JUNE 30, 2004

ASSETS	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS					GOVERNMENTAL
	ELECTRIC UTILITY	WASTEWATER UTILITY	WATER UTILITY	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
CURRENT ASSETS:						
Cash and pooled investments	\$ 7,034,297	\$ 1,634,289	\$ 1,573,184	\$ 413,028	\$ 10,654,798	\$ 5,782,801
Investments	34,439,610	16,109,895	-	-	50,549,505	-
Accrued interest	149,648	84,903	-	-	234,551	-
Accounts receivable	7,147,891	866,670	695,155	156,110	8,865,826	55,310
Taxes and special assessments receivable	-	-	-	365	365	-
Inventories	4,578,916	26,934	515,804	-	5,121,654	20,898
Prepaid items	107,784	-	-	-	107,784	256,368
Due from other governmental units	-	-	-	823,054	823,054	-
Due from other funds	61,169	114,074	108,356	-	283,599	16,565
Total current assets	53,519,315	18,836,765	2,892,499	1,392,557	76,641,136	6,131,942
NONCURRENT ASSETS						
Restricted assets						
Cash and pooled investments	2,736,923	564,563	694,486	1,488,828	5,484,800	-
Investments	5,409,500	1,447,155	1,204,336	-	8,060,991	-
Accrued interest	-	6,879	-	-	6,879	-
Total restricted assets	8,146,423	2,018,597	1,898,822	1,488,828	13,552,670	-
Capital assets						
Land	4,800,453	260,673	1,611,879	5,177,511	11,850,516	-
Construction in progress	684,363	320,035	39,480	-	1,043,878	-
Machinery and equipment	195,699,860	58,769,333	38,894,680	17,273,647	310,637,520	8,927,925
Accumulated depreciation	(107,901,329)	(27,811,573)	(13,386,909)	(7,730,195)	(156,830,006)	(4,641,451)
Total capital assets	93,283,347	31,738,468	27,159,130	14,720,963	166,901,908	4,286,474
Total Noncurrent assets	101,429,770	33,757,065	29,057,952	16,209,791	180,454,578	4,286,474
Total assets	154,949,085	52,593,830	31,950,451	17,602,348	257,095,714	10,418,416
LIABILITIES						
CURRENT LIABILITIES:						
Accounts payable	5,635,302	280,179	519,611	435,566	6,870,658	492,696
Accrued payroll and benefits	606,527	224,107	166,978	34,574	1,032,186	44,133
Accrued interest payable	113,448	20,229	229,864	-	363,541	-
Accrued compensated absences	-	-	-	14,264	14,264	86,373
Due to other funds	24,055	201,010	55,629	178,116	458,810	697
Deferred revenue	163,176	-	-	4,940	168,116	-
Bonds and lease purchases payable - Current	-	455,000	-	38,277	493,277	-
Total current liabilities	6,542,508	1,180,525	972,082	705,737	9,400,852	623,899
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS						
Bonds payable	2,415,000	-	425,000	-	2,840,000	-
NONCURRENT LIABILITIES:						
Bonds payable and lease purchases payable	7,443,096	4,888,692	8,412,488	70,000	20,814,276	-
Total liabilities	16,400,604	6,069,217	9,809,570	775,737	33,055,128	623,899
NET ASSETS:						
Invested in capital assets, net of related debt	83,425,252	26,394,776	18,321,642	14,612,685	142,754,355	4,286,474
Restricted	5,731,423	2,018,597	1,473,822	1,488,828	10,712,670	-
Unrestricted	49,391,806	18,111,240	2,345,417	725,098	70,573,561	5,508,043
Total net assets	\$ 138,548,481	\$ 46,524,613	\$ 22,140,881	\$ 16,826,611	\$ 224,040,586	\$ 9,794,517

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLAND, MICHIGAN
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2004

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS					GOVERNMENTAL ACTIVITIES
	ELECTRIC UTILITY	WASTEWATER UTILITY	WATER UTILITY	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES						
Utility sales and contracted services	\$ 62,770,868	\$ 4,700,047	\$ 4,427,253	\$ -	\$ 71,898,168	\$ -
Admissions and fares	-	-	-	151,795	151,795	-
Use fees and charges for services	2,049,105	2,212,790	823,988	1,583,474	6,669,357	5,814,287
Rentals	-	-	-	151,052	151,052	1,371,186
Miscellaneous	-	-	-	-	-	67,762
Total operating revenues	64,819,973	6,912,837	5,251,241	1,886,321	78,870,372	7,253,235
OPERATING EXPENSES:						
Personal services	5,032,515	1,565,103	1,064,355	639,858	8,301,831	822,456
Other current expenses	45,088,754	3,627,718	2,250,487	3,277,124	54,244,083	6,040,348
Depreciation	8,941,381	1,619,049	1,084,355	863,379	12,508,164	688,352
Total operating expenses	59,062,650	6,811,870	4,399,197	4,780,361	75,054,078	7,551,154
OPERATING INCOME (LOSS)	5,757,323	100,967	852,044	(2,894,040)	3,816,294	(297,919)
NONOPERATING REVENUES (EXPENSES):						
Property taxes	-	-	-	217,306	217,306	-
Federal and/or state grants	-	-	-	2,807,078	2,807,078	-
Capital contributions	-	-	-	-	-	1
Miscellaneous private donations	-	-	-	4,049	4,049	-
Investment earnings	186,317	(19,162)	46,774	21,998	235,927	27,394
Interest expense	(405,568)	(285,156)	(469,918)	(10,669)	(1,171,311)	-
Gain (loss) on disposal of capital assets	(51,695)	28,569	(58,838)	(2,832)	(84,796)	(24,128)
Total nonoperating revenues (expenses)	(270,946)	(275,749)	(481,982)	3,036,930	2,008,253	3,267
INCOME (LOSS) - Before transfers	5,486,377	(174,782)	370,062	142,890	5,824,547	(294,652)
TRANSFERS:						
Transfers in	-	-	-	220,073	220,073	118,322
Transfers out	(2,298,000)	-	-	(32,858)	(2,330,858)	(31,063)
Net transfers in (out)	(2,298,000)	-	-	187,215	(2,110,785)	87,259
CHANGES IN NET ASSETS	3,188,377	(174,782)	370,062	330,105	3,713,762	(207,393)
NET ASSETS - Beginning of year	135,360,104	46,699,395	21,770,819	16,496,506	220,326,824	10,001,910
NET ASSETS - End of year	\$ 138,548,481	\$ 46,524,613	\$ 22,140,881	\$ 16,826,611	\$ 224,040,586	\$ 9,794,517

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLAND, MICHIGAN

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2004

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS					GOVERNMENTAL
	ELECTRIC UTILITY	WASTEWATER UTILITY	WATER UTILITY	OTHER ENTERPRISE FUNDS	TOTAL	ACTIVITIES INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and users	\$ 64,620,769	\$ 6,823,532	\$ 5,225,193	\$ 1,873,975	\$ 78,543,469	\$ -
Receipts from quasi-external transactions	-	-	-	-	-	7,234,465
Payments to suppliers	(43,391,887)	(3,470,792)	(2,355,561)	(3,284,869)	(52,503,109)	(8,162,179)
Payments to employees	(4,951,359)	(1,551,540)	(1,050,295)	(628,440)	(8,181,634)	(828,736)
Net cash provided by (used in) operating activities	16,277,523	1,801,200	1,819,337	(2,039,334)	17,858,726	243,550
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Debt service	(2,742,822)	(692,684)	(868,828)	(48,669)	(4,353,003)	-
Purchase of capital assets	(8,154,158)	(1,851,041)	(1,710,817)	(1,305,446)	(13,021,462)	(672,902)
Capital contributions	-	-	-	-	-	1
Net cash provided by (used in) capital and related financing activities	(10,896,980)	(2,543,725)	(2,579,645)	(1,354,115)	(17,374,465)	(672,901)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Property taxes	-	-	-	217,306	217,306	-
Federal and/or state grants	-	-	-	2,687,538	2,687,538	-
Miscellaneous private donations	-	-	-	4,049	4,049	-
Intergovernmental payments	(2,298,000)	-	-	(32,858)	(2,330,858)	(31,063)
Intergovernmental receipts	-	-	-	220,073	220,073	118,322
Net cash provided by (used in) noncapital and related financing activities	(2,298,000)	-	-	3,096,108	798,108	87,259
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from sales of investments	16,676,599	1,028,183	10,486,986	-	28,191,768	-
Purchase of investments	(19,002,547)	(7,289)	(8,995,400)	-	(28,005,236)	-
Investment earnings	180,973	(20,869)	52,426	21,998	234,528	27,394
Net cash provided by (used in) investing activities	(2,144,975)	1,000,025	1,544,012	21,998	421,060	27,394
NET INCREASE (DECREASE) IN CASH AND POOLED INVESTMENTS	937,568	257,500	783,704	(275,343)	1,703,429	(314,698)
CASH AND POOLED INVESTMENTS - Beginning of year	8,833,652	1,941,352	1,483,966	2,177,199	14,436,169	6,097,499
CASH AND POOLED INVESTMENTS - End of year	\$ 9,771,220	\$ 2,198,852	\$ 2,267,670	\$ 1,901,856	\$ 16,139,598	\$ 5,782,801

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLAND, MICHIGAN
STATEMENT OF CASH FLOWS (CONCLUDED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2004

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS					GOVERNMENTAL
	ELECTRIC	WASTEWATER	WATER	OTHER		ACTIVITIES
	UTILITY	UTILITY	UTILITY	ENTERPRISE	TOTAL	INTERNAL
				FUNDS		SERVICE
						FUNDS
Reconciliation of operating income to net cash provided (used)						
by operating activities:						
Operating income (loss)	\$ 5,757,323	\$ 100,967	\$ 852,044	\$ (2,894,040)	\$ 3,816,294	\$ (297,919)
Adjustment to reconcile operating income (loss)						
to net cash provided by (used in) operating activities:						
Depreciation	8,941,381	1,619,049	1,084,355	863,379	12,508,164	688,352
Changes in operating assets and liabilities:						
Accounts receivable	(152,921)	(26,422)	(75,470)	(11,711)	(266,524)	(552)
Taxes and special assessments receivable	-	-	-	(88)	(88)	-
Inventories	1,111,552	(19,975)	(363,001)	-	728,576	(8,386)
Prepaid items	9,464	-	-	2,061	11,525	(127,304)
Due from other funds	(65,278)	(62,883)	49,422	-	(78,739)	(9,832)
Accounts payable	557,258	106,666	401,746	4,361	1,070,031	(47,838)
Claims payable	-	-	-	-	-	58,000
Accrued payroll and benefits	81,156	13,563	14,060	8,811	117,590	14,435
Earned employee compensated absences	-	-	-	2,607	2,607	(20,715)
Due to other funds	18,593	70,235	(143,819)	(14,167)	(69,158)	(2,691)
Other accrued liabilities	18,995	-	-	(547)	18,448	-
Net cash provided by (used in) operating activities	\$ 16,277,523	\$ 1,801,200	\$ 1,819,337	\$ (2,039,334)	\$ 17,858,726	\$ 243,550
BALANCE SHEET CLASSIFICATIONS OF CASH						
AND POOLED INVESTMENTS						
Current assets	\$ 7,034,297	\$ 1,634,289	\$ 1,573,184	\$ 413,028	\$ 10,654,798	\$ 5,782,801
Restricted assets	2,736,923	564,563	694,486	1,488,828	5,484,800	-
TOTAL BALANCE SHEET CLASSIFICATION	\$ 9,771,220	\$ 2,198,852	\$ 2,267,670	\$ 1,901,856	\$ 16,139,598	\$ 5,782,801

(Concluded)

Non-cash activities:

* The change in fair value of investments for the enterprise funds was \$(685,928).

* Electric revenue bonds of \$12,580,000 were issued during the year which, along with cash of \$5,189,500, was utilized to refund \$17,230,000 of bonds outstanding. The issuance of revenue bonds and the use of the proceeds to refund outstanding bonds is not included in the statement of cash flows as cash from the bonds issued was not received or disbursed.

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLAND, MICHIGAN

STATEMENT OF NET ASSETS
AGENCY FUNDS

JUNE 30, 2004

ASSETS

CURRENT ASSETS:

Cash and pooled investments	\$ 240,111
Accounts receivable	4,822

Total assets	\$ 244,933
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LIABILITIES

LIABILITIES:

Accounts payable	\$ 189,416
Other accrued liabilities and deposits	16,998
Due to other governmental units	38,519

Total liabilities	\$ 244,933
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The accompanying notes are an integral part of these financial statements.

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City conform to generally accepted accounting principles ("GAAP") as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The City of Holland is a municipal corporation governed by an elected, nine-member City Council. As required by generally accepted accounting principles, these financial statements present the City of Holland (the primary government) and its component units. The individual component units discussed below are included in the City's reporting entity because they are entities for which the City is considered to be financially accountable.

Blended Component Unit

The Holland Building Authority has been blended into the City's financial statements. The Authority is governed by a five-member board, consisting of the City Manager, City Attorney, City Finance Officer and two individuals appointed by City Council, and is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings and facilities.

Discrete Component Units

In addition, financial information of the following component units are included in separate columns and rows in the basic financial statements. They are reported in separate columns and rows to emphasize that they are legally separate from the City. Except for the Holland Historical Trust, the governing bodies of all of these component units are appointed by the Mayor of the City of Holland with the City Council.

Downtown Development Authority – The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The Authority's budget is subject to approval by the City Council.

Holland Historical Trust – The Holland Historical Trust is a not-for-profit corporation organized under Section 501(c)(3) of the internal revenue code for the purpose of operating the Holland Museum, the Cappon House, and the Settlers House. The Trust's budget is subject to review by the City Council prior to final decision concerning a General Fund contribution toward the Trust's operations.

Brownfield Redevelopment Authority – The Brownfield Redevelopment Authority was established to account for "captured" tax revenue on specific properties within the City that have been identified and approved by the State of Michigan as brownfields requiring site reclamation. These revenues are used to reimburse property owners for expenses incurred for brownfield cleanup and redevelopment. The City Council appoints the governing body of the Authority and approves the Authority's budget.

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1, any Delinquent Taxes are paid by the County which is responsible for collecting any outstanding taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Building Authority Debt Service Fund* accounts for the financial resources required to service the Building Authority Debt.

The *Infrastructure Projects Capital Projects Fund* accounts for the financial resources involved in funding for major infrastructure projects.

The *Facilities and Land Improvement Projects Capital Projects Fund* accounts for the financial resources involved in improving the City's facilities and land.

The City reports the following major proprietary funds:

The *Electric Utility Enterprise Fund* accounts for the provision of electric services to the residences and businesses of the City and surrounding area. Activities necessary to provide such services include, but are not limited to, sales, administration, operations, maintenance, and construction.

The *Wastewater Utility Enterprise Fund* accounts for the provision of wastewater services to the residences and businesses of the City and surrounding area. Activities necessary to provide such services include, but are not limited to, sales, administration, operations, maintenance, and construction.

The *Water Utility Enterprise Fund* accounts for the provision of water services to the residences and businesses of the City and surrounding area. Activities necessary to provide such services include, but are not limited to, sales, administration, operations, maintenance, and construction.

Additionally, the City reports the following fund types:

Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds – used to account for the accumulation of resources for, and the payment of, general long-term and special assessment debt, principal, interest and related costs.

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Permanent Fund - used to record the activity and balance of the Cemetery Trust which provides funds for perpetual care of cemetery lots.

Enterprise Funds – used to report operations that provide services to citizens, financed primarily by a user charge or activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds – used to report the financing of goods or services provided by the City to other departments and funds or to other governmental units on a cost reimbursement basis, specifically technology, equipment and insurance services.

Agency Funds – used to account for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. The principal operating revenues of the City's internal service funds are charges to City departments for technology, equipment and insurance services. Operating expenses for the enterprise fund include depreciation on capital assets, labor, supplies and contracted services. Operating expenses for the internal service funds include the cost of services (including claims), administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

- The City Manager is responsible for submitting the proposed operating budget for the following fiscal year to the City Council. The City Council, during its review, holds a public hearing to obtain taxpayer comments. The budget is legally enacted by resolution of the Council.
- The City financial officer is authorized to transfer budget amounts between accounts within the same department of any fund upon written request by a department or division head and approval by the City Manager. Transfers between departments or any revisions that alter total appropriations of any fund must be approved by the City Council. Budgeted appropriations lapse each year; however, appropriations for continuing projects and programs which the City intends to complete are included in the budget of the ensuing year.
- Budgeted amounts are as originally adopted or as amended by the City Council during the year. The budgets have been prepared in accordance with generally accepted accounting principles. Supplemental appropriations were necessary during the year.
- The budget has been adopted on a department level basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law.
- Annual budgets are adopted for the general and special revenue funds. Informal budgets are adopted to monitor the operation of other funds.
- The Capital Projects Funds are budgeted on a "multi-year" inception-to-completion basis.

Cash and Pooled Investments

The City considers cash, restricted cash, petty cash, cash with agents and investments with original maturity within three months or less of purchase date to be cash and pooled investments. Pooled investments are not identifiable to specific funds and the assets can be withdrawn at anytime.

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due to/from Other Funds

During the course of its operations, the City has numerous transactions between funds to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded.

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due From Other Governmental Units

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenue at the time reimbursable project costs are incurred. Revenues received in advance of project costs being incurred are deferred. Capital grants for capital asset additions to the proprietary funds are recorded as receivables and a corresponding increase to revenue when reimbursable project costs are incurred.

Investments

Investments consist of certificates of deposit with original maturity of greater than three months, money market mutual funds and U.S. Treasury obligations. Investments are carried at fair value.

State statutes authorize the government and the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Inventories

Inventories recorded in the Enterprise and Internal Service Funds and in the Holland Historical Trust (a component unit) are expensed as consumed and are valued at historical cost determined on a moving average basis. In other funds, payments for the inventory type supplies are recorded as expenditures at the time of purchase as they are immaterial to the City's financial position.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (\$5,000 for infrastructure) and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exists. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes assets added beginning in 2003.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation on the capital assets (including infrastructure) of the primary government, as well as the component units, is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	20
Buildings	40
Office furniture and equipment	3-5
Vehicles	5-10
Public domain infrastructure	40
System infrastructure	20

Restricted Assets

Assets that are restricted for specific uses by bond debt requirements, grant provisions or other legal requirements are classified as restricted assets. Liabilities payable from such restricted assets are separately classified.

Bond Discounts

Discounts on bonds sold are being amortized by the interest or straight-line methods over the repayment periods of the related bonds.

Deferred Refunding Costs

Deferred refunding costs are amortized over the term of the related bond using the interest method. Amortization is charged to interest expense.

Property Taxes

Properties are assessed as of December 31 and become a lien at that time. The related property taxes are levied and billed on July 1 of the following year, and are due without penalty on or before August 15. Summer tax bills include the City property taxes and taxes billed on behalf of various school districts, authorities within the City limits and other entities. Real property taxes that have not been collected as of March 1 are turned over to Ottawa and Allegan Counties for collection. The counties advance the City 100 percent for the delinquent real property taxes. Collection of delinquent personal property taxes and IFT's remains the responsibility of the City Treasurer.

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

Long term lease receivable (Building Authority Debt)	\$7,275,000
Special assessments receivable (Miscellaneous government functions)	140,447
Grant drawdowns prior to meeting eligibility requirements (Culture and community improvement)	39,096
Special assessments receivable (Special assessment debt)	1,766,282
Special assessments receivable (Infrastructure projects)	162,512
Grant drawdowns prior to meeting eligibility requirements (Public safety grants)	35,317
Other	2,654
	<u>\$9,421,308</u>

Property Taxes

The taxable value at December 31, 2003 was \$1,016,053,586. An amount of \$1,016,053,586 provides a City-wide valuation equivalency that allows for a uniform millage rate across all taxable properties, including tax-abated properties. The tax levy was based on the following rates:

	Millage Rate Used	Authorized Millage Rate By Either State Law or City Charter	
General Operating	9.24121		
Property Acquisitions	.1000		
Street Development and Improvement	1.0000		
Sidewalk Development and Improvement	.1000		
Municipal Capital Projects	.5000		
Debt Service General Obligation	1.5000		
	12.4421	16.2027	(1)
		17.5000	(City Charter)
Dial-A-Ride/MAX	.2000	.5959	(1)
		.6000	(2)
Library Support/Debt Service	1.3579	1.4898	(1)
		1.5000	(3)

(1) Formula limitation required by 1978 State Constitutional amendment.

(2) Voter-approved limitation dated November 3, 1998.

(3) Library support agreement between City of Holland, Park Township, Holland Township, Laketown Township and Herrick District Library dated March 21, 1997.

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services and to service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

Electric Utility Fund Transfer to the General Fund

The City Charter authorizes an annual operating transfer from the Electric Utility Fund to the General Fund. The current formula for determining this transfer is based upon 3.5 percent of Electric Utility Fund budgeted revenues of the same fiscal year. For fiscal year 2004, a transfer of \$2,298,000 was made.

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

City employees are granted vacation, sick and longevity pay in varying amounts based on length of service, which are compensable upon termination of employment except during resignation or discharge for disciplinary cause.

Vacation hours are credited to each employee on the anniversary date of hire. The number of hours is dependent upon years of service.

Sick leave hours are credited to each employee as earned during a calendar year up to a maximum of 104 hours. Bargaining and nonbargaining employees are compensated for one half of total accumulated sick leave hours in excess of 720 hours annually.

Longevity pay is an annual compensation payable to eligible employees based on years of service.

The City's policy is to recognize the cost of vacation, sick, longevity, deferred overtime and salary-related fringe benefits associated with these compensated absences at the time the compensated absences are earned and to pay these expenditures from current available resources.

Bond Issuance Costs

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management and Benefits

The City has in place a risk management program that encompasses annual retention levels, depending upon the specific coverage. Employee health and dental coverage assumes risk up to \$75,000 specific and \$3,000,000 aggregate. Vehicle liability insurance provides first-dollar coverage on all claims. The City assumes total unlimited risk for damage to its vehicles, except fire vehicles and Dial-A-Ride buses, with small deductibles for damages. Damages to all other forms of property are established with a \$100,000 deductible per incident. Retentions for general and public liability risks are currently \$100,000 per incident.

The City has entered into contractual agreements with various third-party administrators for claims servicing. Assets for claims settlement are established in its Internal Service Funds. These funds allocate the cost of providing stop-loss insurance, claims servicing and claims payment by charging a "premium" to each fund and organization using various bases depending upon the type of coverage. The charges take into consideration recent trends in actual experience and also make provision for possible catastrophic losses.

Liabilities are established when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend upon such complex factors as inflation, changes in legal positions and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are periodically reevaluated to take into consideration recently settled claims, the frequency of claims and other economic and social factors.

The City's amount of settlements did not exceed insurance coverage for each of the past three fiscal years. The employee health and dental coverage program aggregate risk retention was \$2,600,000 as of June 30, 2004 for the 2004 fiscal year.

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

2. COMPLIANCE

Budgetary Compliance

The Uniform Budgeting Act (P.A. 621 of 1978) of the State of Michigan requires that all General and Special Revenue Funds adopt annually balanced budgets on the modified accrual basis of accounting.

For the year ended June 30, 2004, expenditures exceeded appropriations at the legal level of budgetary control in the following funds:

	<u>Total Appropriations</u>	<u>Amount of Expenditure</u>	<u>Budget Variance</u>
General Fund			
City Manager	\$ 312,515	\$ 316,016	\$ 3,501
City Finance	622,630	624,908	2,278
Legal Services	184,000	185,356	1,356
Cemetery	453,759	464,434	10,675
Police	5,866,329	5,887,768	21,439
Fire	2,518,828	2,571,388	52,560
Environmental Health/Inspections	411,576	415,900	4,324
Construction Inspections	402,191	402,756	565
Special Revenue Funds			
Downtown Operations:			
Personal Services	33,350	34,282	932

Compliance with the Single Audit Act

Procedures performed to test compliance relating to expenditures of federal awards as required by the Single Audit Act Amendments of 1996 and related findings are detailed in a separate report.

3. DEPOSITS AND INVESTMENTS

The City's reporting entity deposits and investments as of June 30, 2004 are included on the statement of net assets under the following classifications:

Statement of Net Assets Classification

Cash and pooled investments	\$ 34,395,588
Investments	54,370,477
Restricted assets – cash and pooled investments	5,484,800
Restricted assets - investments	8,060,991
	<u>102,311,856</u>
Cash and pooled investments – Agency Funds	240,111
Total	<u>\$102,551,967</u>

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

3. DEPOSITS AND INVESTMENTS (CONTINUED)

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is reported in the statement of net assets. In addition, various deposits, investments and restricted assets are held separately from those of other City funds.

Deposits

At year-end, the carrying amount of the City's unrestricted and restricted deposits, including petty cash on hand and certificates of deposits, was \$11,672,122 and the bank balance was \$13,093,443. Of the bank balance, \$807,391 was covered by federal depository insurance and \$12,286,052 was uninsured and uncollateralized.

Statutes allow that certificates of deposit, savings accounts or depository receipts be made with financial institutions outside of the immediate Holland area if the rate of differential is at least one-quarter of 1 percent higher than the rate with any local financial institution. All financial institutions with which the City deposits funds must be members of a federal or national insurance corporation.

Investments

Michigan Public Act 20 of 1943 (as amended) and City ordinances authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services, bankers' acceptances of U.S. banks, United States government or federal agency obligation repurchase agreements and mutual funds composed of the types of investment vehicles named previously.

The City's unrestricted and restricted investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by the trust department or agent, but not in the City's name.

	Category			Fair Value/ Carrying Amount
	(1)	(2)	(3)	
U.S. Treasury securities	\$70,858,954	\$ -	\$11,703,847	\$82,562,801
Uncategorized as to risk				
Investment in money market				7,338,269
mutual funds				
Total investments				\$89,901,070

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

3. DEPOSITS AND INVESTMENTS (CONTINUED)

The investments in money market mutual funds are not categorized because the investments are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Component Units

The cash and investments of the City's component units consist of bank deposits of \$293,606 and investments of \$685,169. The carrying amount for deposits for the Holland Historical Trust were \$150,118 and were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$161,808 all of which was covered by federal depository insurance. The component units evaluate each financial institution they deposit funds with and assess the level of risk in each institution; only those institutions with an acceptable estimated risk level are used as depositories. Deposits and investments for the Downtown Development Authority of \$140,644 reflect the Authority's allocated portion of pooled funds deposited in the name of the City of Holland. Federal depository insurance is applied to the City of Holland's deposits as a whole. Therefore, the portion of the Downtown Development Authority's deposits covered by FDIC is not determinable.

The component units' unrestricted and restricted investments are categorized below to give an indication of the level of risk assumed by the entities at year-end. The categories are the same as described previously for the City.

	Category			Carrying Amount	Fair Value
	(1)	(2)	(3)		
Investment:	\$ -	\$ -	\$ -		
Uncategorized as to risk:					
Money Market Mutual Funds				\$685,169	\$685,169

4. RESTRICTED ASSETS/NET ASSETS

Restricted assets at June 30, 2004 consist of the following:

	Enterprise Funds
Cash and pooled investments	\$ 5,484,800
Investments	8,060,991
Accrued interest receivable	6,879
Total assets restricted	13,552,670
Less current liabilities payable from restricted assets	2,840,000
Net assets restricted	\$10,712,670

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

4. RESTRICTED ASSETS/NET ASSETS (CONTINUED)

The nature of these restrictions are as follows:

	<u>Enterprise Funds</u>
Bond and interest redemption	\$ 862,126
Equipment replacement	4,822,465
Future Cap Hall Operations	941,651
Cooperative payments	<u>4,086,428</u>
Restricted net assets	<u>\$10,712,670</u>

5. CAPITAL ASSETS/CONSTRUCTION COMMITMENTS

	<u>Balance July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2004</u>
Primary government				
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 6,915,717	\$ 1,319,629	\$ 104,528	\$ 8,130,818
Construction in process	<u>6,680,317</u>	<u>22,038,346</u>	<u>1,360,519</u>	<u>27,358,144</u>
Total capital assets, not being depreciated	<u>13,596,034</u>	<u>23,357,975</u>	<u>1,465,047</u>	<u>35,488,962</u>
Capital assets, being depreciated:				
Land improvements	10,890,703	448,510	12,800	11,326,413
Buildings	15,769,252	591,626	374,853	15,986,025
Machinery and equipment	12,380,064	1,153,522	425,111	13,108,475
Vehicles	730,485	70,022	70,320	730,187
Infrastructure	<u>1,681,639</u>	<u>3,160,983</u>	<u>-</u>	<u>4,842,622</u>
Total capital assets, being depreciated	<u>41,452,143</u>	<u>5,424,663</u>	<u>883,084</u>	<u>45,993,722</u>
Less accumulated depreciation for:				
Land improvements	4,397,023	475,901	9,374	4,863,550
Buildings	5,073,451	386,337	255,965	5,203,823
Machinery and equipment	6,188,618	990,818	314,166	6,865,270
Vehicles	330,476	85,998	42,287	374,187
Infrastructure	<u>44,137</u>	<u>113,203</u>	<u>-</u>	<u>157,340</u>
Total accumulated depreciation	<u>16,033,705</u>	<u>2,052,257</u>	<u>621,792</u>	<u>17,464,170</u>
Net capital assets, being depreciated	<u>25,418,438</u>	<u>3,372,406</u>	<u>261,292</u>	<u>28,529,552</u>
Net governmental activities capital assets	<u>\$39,014,472</u>	<u>\$26,730,381</u>	<u>\$1,726,339</u>	<u>\$64,018,514</u>

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

5. CAPITAL ASSETS/CONSTRUCTION COMMITMENTS (CONTINUED)

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 10,759,005	\$ 1,091,511	\$ -	\$ 11,850,516
Construction in progress	5,556,658	1,936,107	6,448,887	1,043,878
Total capital assets, not being depreciated	16,315,663	3,027,618	6,448,887	12,894,394
Capital assets, being depreciated:				
Land improvements	7,397,950	123,748	-	7,521,698
Buildings	3,845,827	67,446	-	3,913,273
Machinery and equipment	281,702,793	16,446,019	947,367	297,201,445
Vehicles	2,013,437	-	12,330	2,001,107
Total capital assets, being depreciated	294,960,007	16,637,213	959,697	310,637,523
Less accumulated depreciation for:				
Land improvements	3,977,944	360,694	-	4,338,638
Buildings	1,477,459	127,974	-	1,605,433
Machinery and equipment	138,857,847	11,772,522	796,362	149,834,007
Vehicles	616,055	246,973	11,097	851,931
Total accumulated depreciation	144,929,305	12,508,163	807,459	156,630,009
Net capital assets being depreciated	150,030,702	4,129,050	152,238	154,007,514
Net business-type activities capital assets	\$166,346,365	\$ 7,156,668	\$ 6,601,125	\$166,901,908

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$1,025,286
Public safety	216,730
Public works	163,934
Culture and recreation	642,188
Welfare and social services	4,119
Total depreciation expense – governmental activities	\$2,052,257
Business-type activities:	
Electric Utility	\$ 8,941,381
Wastewater Utility	1,619,048
Water Utility	1,084,355
Refuse and Recycling	47,752
Windmill Island	52,194
Depot operations	81,261
Airport	407,527
Macatawa Area Public Transit System	274,645
Total depreciation expense – business-type activities	\$12,508,163

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

5. CAPITAL ASSETS/CONSTRUCTION COMMITMENTS (CONTINUED)

Discretely Presented Component Units

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Downtown Development Authority:				
Capital assets, being depreciated				
Land improvements	\$ 208,216	\$ -	\$ -	\$ 208,216
Machinery and equipment	9,189	-	-	9,189
Total capital assets, being depreciated	217,405	-	-	217,405
Less accumulated depreciation for:				
Land improvements	32,880	10,566	-	43,446
Machinery and equipment	2,299	394	-	2,693
Total accumulated depreciation	35,179	10,960	-	46,139
Net capital assets	\$ 182,226	\$ 10,960	\$ -	\$ 171,266
Holland Historical Trust:				
Capital assets, not being depreciated				
Land	\$ 60,000	\$ -	\$ -	\$ 60,000
Capital assets, being depreciated				
Buildings and improvements	1,039,505	83,165	-	1,122,670
Furniture and equipment	379,119	41,916	-	421,035
Total capital assets, being depreciated	1,418,624	125,081	-	1,543,705
Less accumulated depreciation for:				
Buildings and improvements	94,759	35,248	-	130,007
Furniture and equipment	114,679	43,081	-	157,760
Total accumulated depreciation	209,438	78,329	-	287,767
Net capital assets, being depreciated	1,209,186	46,752	-	1,255,938
Total capital assets	\$1,269,186	\$46,752	\$ -	\$1,315,938

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

6. LONG-TERM DEBT

Long-term debt at June 30, 2004 is comprised of the following individual bond issues, notes payable and lease obligations:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>	<u>Due Within One Year</u>
Business-type Activities:					
\$12,112,889 2002A Electric Revenue Refunding Bonds, net of unamortized discount and deferred refunding cost of \$291,905 in 2004 and \$467,111 in 2003; interest rates of 2.0% to 2.6%	\$ 12,112,889	\$ -	\$ 2,254,793	\$ 9,858,096	\$ 2,415,000
2001 Ottawa County Refunded Sewage Bonds (City assumed 70% of total 2001 Ottawa County Disposal Bond issue); net of amortized discount of \$281,079 and \$312,308 in 2004 and 2003, respectively; interest rates range from 2.80 to 4.75%.	5,749,961	-	406,269	5,343,692	455,000
1997 Water Supply System Revenue Bonds, due in annual installments of \$335,000 to \$905,000 through 2017, net of unamortized discount of \$77,512 and \$87,702 in 2004 and 2003; interest rates range from 3.85% to 5.375%.	9,227,298	-	389,810	8,837,488	425,000
Installment purchase obligation to Huntington Bank, due in monthly installment through June 2010, interest at 5.75% to 8.75%	146,277	-	38,000	108,277	38,277
Total Business-type Activities	\$ 27,236,425	\$ -	\$ 3,088,872	\$ 24,147,553	\$ 3,333,277

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

6. LONG-TERM DEBT (CONTINUED)

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>	<u>Due Within One Year</u>
Governmental Activities					
\$2,300,000 Building Authority, Library Improvement Bonds, due in annual installments of \$75,000 to \$350,000 through May 2009, interest at 4.30% to 4.375%.	\$ 1,750,000	\$ -	\$ 225,000	\$ 1,525,000	\$ 225,000
\$19,500,000 Police Improvement Bonds due in annual installments of \$315,000 to \$1,885,000 through 2022, interest at 2.0% to 5.0%	19,500,000	-	315,000	19,185,000	400,000
\$310,000 1990A Utility Improvement Bonds, due in annual installments of \$15,000 to \$25,000 through June 2004, interest at 6.40% to 6.75%.	15,000	-	15,000	-	-
\$525,000 1992A Utility Improvement Bonds, due in annual installments of \$10,000 to \$50,000 through May 2007, interest at 5.35% to 7.00%.	105,000	-	30,000	75,000	35,000
\$2,160,000 1995A Street Improvement Bonds, due in annual installments of \$165,000 to \$280,000 through August 2005, interest at 4.05% to 5.15%.	785,000	-	245,000	540,000	260,000
\$3,750,000 1996A Street Improvement Bonds, due in annual installments of \$175,000 to \$525,000 through August 2008, interest at 3.80% to 5.40%.	2,400,000	-	275,000	2,125,000	300,000
\$5,000,000 1996 City Hall Bonds, due in annual installments of \$50,000 to \$525,000 through April 2016, interest at 4.85% to 7.25%.	4,300,000	-	4,100,000	200,000	200,000
\$380,000 1997A Utility Improvement Bonds, due in annual installments of \$15,000 to \$30,000 through June 2011, interest at 4.80% to 7.00%.	215,000	-	25,000	190,000	30,000
Estimated environmental clean-up costs.	90,000	-	15,000	75,000	15,000
\$7,500,000 1997 Building Authority Bonds, due in annual installments of \$200,000 to \$485,000, through May 1, 2017, interest at 4.70% to 5.125%.	5,815,000	-	5,465,000	350,000	350,000

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

6. LONG-TERM DEBT (CONTINUED)

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>	<u>Due Within One Year</u>
Governmental Activities (Continued)					
\$425,000 1998 Special Assessment Bonds due in annual installments of \$20,000 to \$45,000, through June 1, 2012, interest at 4.00% to 5.05%.	\$ 245,000	\$ -	\$ 30,000	\$ 215,000	\$ 30,000
\$350,000 2001 Special Assessment Bonds due in annual installments of \$10,162 to \$44,600 through June 2014, interest at 5.8% to 5.85%.	275,000	-	25,000	250,000	25,000
\$1,310,603 City of Holland portion of 1999 Allegan County Sewage Disposal System Bonds, due in annual installments of \$98,460 to \$10,257, through April 2018, interest at 4.2% to 4.8%.	1,103,913	-	46,975	1,056,938	46,975
\$800,000 2002A Public Improvement Bonds, due in annual installments of \$30,000 to \$60,000, through June 2016, interest at 4.0% to 7.0%.	770,000	-	60,000	710,000	60,000
\$5,400,000 2004 Refunded Library Improvement Bonds, due in annual installments of \$55,000 to \$430,000, through May 2017, interest at 2.0% to 4.25%.	-	5,400,000	-	5,400,000	55,000
\$4,170,000 2004 Refunded City Hall Improvement Bonds, due in annual installments of \$50,000 to \$475,000, through May 2016, interest at 2.0% to 4.25%.	-	4,170,000	-	4,170,000	50,000
\$352,000 2004 Land contract payable	-	352,000	-	352,000	-
\$175,000 2003 Land contract payable	175,000	-	62,500	112,500	12,500
Total Governmental Activities	37,543,913	9,922,000	10,934,475	36,531,438	2,094,475
Total Long-Term Debt	\$64,780,338	\$9,922,000	\$14,023,347	\$60,678,991	\$5,427,752

The environmental clean-up liability does not relate to a municipal landfill, but rather to monitoring and cleanup of underground fuel storage sites.

The City owns and maintains a landfill for flyash and wastewater treatment bio solids. In accordance with Michigan Department of Environmental Quality requirements, funding for closure cost estimates of \$327,450 and postclosure cost estimates of \$0 have been assured with a \$100,000 letter of credit and \$10,149 held in trust at June 30, 2004.

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

6. LONG-TERM DEBT (CONTINUED)

The City has recognized a liability for closure and postclosure cost of \$327,450 in the Enterprise Fund (accounts payable) based on the percentage of landfill capacity used to date. The landfill is expected to have a remaining life of 3 years with approximately 83% of the landfill's capacity currently utilized. These estimates are expected to fluctuate based on inflation, deflation, changes in technology, applicable laws and regulations.

General Obligation Bond issues and Special Assessment Bond issues within the government activities issued through December 22, 1978 are backed by the full faith and credit of the City. All bond issues issued subsequent to that date have the City's limited tax obligation. Current debt service requirements are funded by property tax revenues, special assessments and reserves within the Debt Service Fund.

The City has created a statutory first lien on the net revenues of the Electric and Water Utility Funds to secure the payment of principal and interest on the revenue bonds. Certain bond ordinances require that bond and interest redemption funds be maintained with a minimum balance amounting to the highest annual principal and interest payments due for each issue plus amounts necessary to fund current principal and interest payments.

The City has pledged its state-shared revenue payments as collateral on the 1988 Windmill Island Revenue Bonds. The City has pledged its Michigan Transportation Fund revenues as security on the 1995 and 1996 Street Improvement Bonds.

The special assessment bonds represent the financing of public improvements that benefit specific districts; these districts are specially assessed, at least in part, for the cost of the improvements. At June 30, 2004, the City has cash and investments of \$935,875 available in Debt Service Funds for repayment of these bonds. In addition, there is approximately \$1,766,282 of special assessments receivable in the future. Under Michigan law, the City is secondarily liable for payment of these bonds.

The annual requirements to pay principal and interest on long-term obligations outstanding at June 30, 2004, excluding unamortized discount and deferred refunding costs, are as follows:

Fiscal Year	Business-type Activities		Governmental Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 3,295,000	\$ 895,341	\$ 2,094,475	\$1,486,113	\$ 5,389,475	\$ 2,381,454
2006	3,404,500	809,492	2,307,963	1,405,633	5,712,463	2,215,125
2007	3,530,500	715,172	2,302,963	1,323,952	5,833,463	2,039,124
2008	3,731,500	606,713	2,407,963	1,238,673	6,139,463	1,845,386
2009	1,081,000	524,553	2,889,963	1,144,864	3,970,963	1,669,417
2010-2014	6,353,500	1,780,895	9,572,311	4,561,648	15,925,811	6,342,543
2015-2019	3,325,000	370,075	9,560,800	2,407,124	12,885,800	2,777,199
2020-2024	-	-	5,395,000	413,375	5,395,000	413,375
Total	\$24,721,000	\$5,702,241	\$36,531,438	\$13,981,382	\$61,252,438	\$19,683,623

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

6. LONG-TERM DEBT (CONTINUED)

Revenue Bonds

Covenants of the revenue bond resolution provide for, among other things, restrictions on the transfer of funds, issuance of additional debt, creation of liens and the sale and lease of property.

Current Year Refunding

During fiscal year 2004, the City issued \$4,170,000 of City Hall Improvement Bonds and \$5,400,000 of Library Improvement Bonds. The refunding of these bonds resulted in a total net cumulative savings of \$407,585.

No Commitment Debt

Excluded from the Government-wide statements are bonds issued under the Industrial Development Revenue Bond Act of 1963, as amended, which authorizes municipalities to acquire and lease industrial sites, buildings and equipment. Also excluded are revenue bonds issued by the Economic Development Corporation to acquire and lease property to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements, but are described below. Additional information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source.

<u>For Whom</u>	<u>Purpose</u>	<u>Outstanding Principal at June 30, 2004</u>
Thrifty Holland, Inc.	Acquisition, construction and equip- ping of a retail, grocery and depart- ment store	<u>\$7,300,000</u>

The Thrifty Holland, Inc. bonds are Floating Rate Monthly Demand Economic Development Revenue Bonds of the Economic Development Corporation of the City of Holland. The City of Holland has no obligation for the debt beyond the resources provided for the above loans.

7. FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Details on these reservations and designations follow:

	<u>Nonmajor Governmental Funds</u>
Reserved: Capital Projects	<u>\$5,527,812</u>
Total	<u>\$5,527,812</u>

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

8. JOINT VENTURES

The City entered into a joint venture, the Michigan Public Power Agency (MPPA), with 15 other municipal electric systems. The MPPA was formed to undertake the planning, financing, development, acquisition, construction, improvement, operation and maintenance of projects to supply electric power and energy for the present or future needs of its members. Each MPPA member is a municipal corporation organized under the laws of the State of Michigan and owns and operates a municipal electric system. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Michigan Public Power Agency can be obtained from the administrative offices at 809 Centennial Way, Lansing, MI 48917.

Under this joint venture, the City has entered into Power Sales Contracts and Projects Support Contracts. These contracts provide for the City to purchase from MPPA 15.66% of the energy generated by MPPA's 37.22% ownership in Detroit Edison's Belle River Unit #1, which became operational in August 1984, and 26.35% of MPPA's 4.8 % ownership in Consumers Energy's Campbell Unit #3, which became operational in September 1980. These contracts require the City to purchase approximately 38 and 10 megawatts of power, respectively, in 1995 and thereafter.

For the year ended June 30, 2003, the City recognized expenses totaling \$14,662,120 under the terms of the contract which represented \$1,773,292 for fixed operating costs, \$5,685,256, for debt service and \$7,203,572 for the purchase of power. Accounts payable to MPPA totaled \$1,251,010 at June 30, 2003. For the year ended June 30, 2004, the City recognized expenses totaling \$14,007,988 under the terms of the contract which represented \$2,194,941 for fixed operating costs, \$5,281,046, for debt service and \$6,532,001 for the purchase of power. Accounts payable to MPPA totaled \$1,177,031 at June 30, 2004. Under the terms of its contracts, the Board must make minimum annual payments equal to its share of debt service and its share of the fixed operating costs of Detroit Edison's Belle River No. 1 and Consumers Energy's Campbell Unit No. 3. The estimated required payments presented below assume no early calls or refinancing of existing revenue bonds and 3.0% annual inflation of fixed operating costs.

A summary of contract requirements with the MPPA is as follows:

Year	Belle River		Campbell		Total
	Debt Service	Fixed Operating	Debt Service	Fixed Operating	
2005	\$ 4,306,000	\$ 1,929,699	\$ 975,345	\$ 331,090	\$ 7,542,134
2006	4,306,049	1,987,590	974,904	341,022	7,609,565
2007	4,305,244	2,047,218	976,459	351,253	7,680,174
2008	4,305,839	2,108,634	977,157	361,791	7,753,421
2009	4,305,297	2,171,893	976,926	372,645	7,826,761
2010-2014	21,528,814	11,876,804	571,033	779,163	34,755,814
2015-2018	17,222,487	13,768,470	-	-	30,990,957
	<u>\$60,279,730</u>	<u>\$35,890,308</u>	<u>\$5,451,824</u>	<u>\$2,536,964</u>	<u>\$104,158,826</u>

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

8. JOINT VENTURES (CONTINUED)

Debt Service requirements expire in the years 2018 and 2010 for the Belle River and Campbell projects, respectively. The above amounts include estimated fixed operating costs for the same period as the debt service. The contracts for the City's commitment for fixed operating costs to extend beyond these dates is dependent upon the use of the facilities.

The joint venture is a result of an ongoing financial responsibility. The City did not have an initial equity interest and does not participate in net income or losses.

9. INTERFUND TRANSACTIONS

Due to/from other funds at June 30, 2004 were:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 106	\$ 102,373
Special Revenue Funds:		
Motor Vehicle Highway Major Street	1,131	50,894
Motor Vehicle Highway Local Street	2,571	12,520
Downtown Snowmelt Operating System	61,108	36,135
Property and Improvement	-	25,803
Public Safety Grants	-	26,674
Culture and Community Improvement	-	181,669
Capital Project Funds:		
Infrastructure Projects	202,576	138,804
Facility and Land Improvement Projects	513,260	46,021
Enterprise Funds:		
Electric Utility	61,169	24,055
Wastewater Utility	114,074	201,010
Water Utility	108,356	55,629
Refuse and Recycling Pickup	-	78,834
Windmill Island	-	1,271
Depot Operations	-	1,773
Municipal Airport	-	83
Macatawa Area Public Transit System	-	96,155
Debt Service Funds:		
General Obligation Debt		516
Internal Service Funds:		
Act 51	88	-
Fuel Dispensing	5,840	-
Communication Services	6,882	417
Health and Dental Insurance	-	280
Motor Pool	10	-
Employee Worker Compensation	3,745	-
Total	<u>\$1,080,916</u>	<u>\$1,080,916</u>

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

9. INTERFUND TRANSACTIONS (CONTINUED)

Interfund balances primarily reflect the interest on investments that will be allocated from the general fund.

	Transfers in by Fund						Total
	General Fund	Facilities and Land Improvements Projects	Non-major Governmental Fund	Electric Utility	Non-major Enterprise Fund	Internal Service Funds	
Transfers out:							
General Fund	\$ -	\$ -	\$ 191,825	\$ -	\$211,437	\$101,796	\$505,058
Facilities and Land Improvements Projects	-	-	1,130,542	-	-	16,526	1,147,068
Non-Major Governmental Fund	29,451	787,843	3,337,191	-	4,936	-	4,159,421
Electric Utility	2,298,000	-	-	-	-	-	2,298,000
Non-major Enterprise Fund	-	-	29,158	-	3,700	-	32,858
Internal Service Funds	23,000	-	8,063	-	-	-	31,063
	<u>\$2,350,451</u>	<u>\$787,843</u>	<u>\$4,696,779</u>	<u>\$ -</u>	<u>\$220,073</u>	<u>\$118,322</u>	<u>\$8,173,468</u>

Transfers are used to move funds between funds based on City Council resolutions or move revenues from the funds required to collect them to the funds required or allowed to expend them.

10. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 11, the City provides postemployment health care benefits, in accordance with union contracts and approved personnel policy for full-time permanent employees, to all employees who retire from the City on or after attaining age 55 but prior to attaining age 65. Currently, 40 retirees meet those eligibility requirements. The City provides a subsidy payment for the retiree health insurance premium charged by the City's Health and Dental Insurance Fund for single person coverage up to \$145 per month or two-person coverage up to \$300 per month. No subsidy payment is made if the retiree can obtain no cost coverage through other employment or through a spouse's employment. However, retired employees who are eligible to receive hospital, surgical and medical coverage from another employer-sponsored plan may request reimbursement for any premium cost up to the maximum amounts as stated above. During the fiscal year, expenditures charged to various funds amounting to \$94,880 were recognized representing the City's subsidy toward retirees' premiums, as compared to \$84,670 for the year ended June 30, 2003. These premium subsidies are funded on a pay-as-you-go basis.

All retirees and their spouses, including surviving spouses, are eligible for participation in the retiree suffix of the City's Health Insurance Fund by paying the established premiums. The City has deliberately chosen to establish a premium to the retiree group participants at a rate that is less than what is necessary to offset actual claims and administrative costs, resulting in an additional subsidy to retirees. In total, the retiree group premiums were 82% of actual requirements for the year ended June 30, 2004 as compared to 56% for the year ended June 30, 2003. The City is not under commitment to provide the lowered premium rates to retirees.

Postemployment health care benefits are funded on a pay-as-you-go basis. Expenditures for postemployment health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported to the City. The City's Health and Dental Insurance Fund has been in effect since April 1990 and it is planned to continue unless determined at a future time that another form or mechanism for insurance coverage would be more advantageous.

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

10. POSTEMPLOYMENT BENEFITS (CONTINUED)

The following chart reflects the premium revenues from the retiree group as compared to actual claim costs for the same year, resulting in the City's annual cost for postemployment health care benefits:

Fiscal Year Ending	City Costs				Revenues	
	Claims	Stop-Loss	Claims Administration	Total	Retiree Premiums	City Subsidy
1995	\$317,075	\$14,834	\$25,486	\$357,395	\$162,527	\$194,868
1996	396,000	15,538	21,727	433,265	173,531	259,734
1997	528,729	17,848	25,231	571,808	197,924	373,884
1998	416,996	21,526	29,465	467,987	223,297	244,690
1999	498,712	26,328	33,068	558,108	260,442	297,666
2000	518,474	28,774	37,026	584,274	297,129	287,145
2001	701,036	32,385	41,504	774,925	337,009	437,921
2002	542,336	35,075	44,250	621,661	374,665	246,996
2003	712,522	45,827	48,367	806,716	452,917	353,799
2004	509,644	55,287	52,930	617,861	509,050	108,811

11. DEFINED BENEFIT PENSION PLAN

Municipal Employees Retirement System of Michigan

The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined pension plan providing retirement, death and disability benefits covering full-time City employees. The System is administered by the MERS retirement board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 North Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

The City is required to contribute at an actuarially determined rate; the current rate varies by bargaining unit as a percentage of annual covered payroll from 3.5% to 11.54%. Participating employees are required to contribute from 0% to 8% based on bargaining unit to the Plan. The contribution requirements of the City are established and may be amended by the MERS Retirement Board.

For the year ended June 30, 2004, the City's actual and required contribution for MERS was \$1,304,961. The required contribution was determined as part of the December 31, 1999 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation; (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit; and (d) Post-retirement Benefits will increase 2.5% per year. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation, was 30 years.

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Three-Year Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
2002	\$ 886,440	97%	\$(1,186,990)
2003	768,460	97%	(1,163,491)
2004	1,327,994	97%	(1,140,458)

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio Total</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/01	\$71,990,500	\$75,756,120	\$3,765,620	95%	\$17,958,366	21%
12/31/02	71,741,274	79,310,733	7,569,454	90%	18,606,806	41%
12/31/03	71,059,993	80,397,151	9,337,158	88%	16,098,548	58%

The City's Annual Pension Cost and Net Pension Asset for the current year are as follows:

Actuarially determined contribution	\$1,304,961
Interest on Net Pension Asset	93,079
Adjustment to actuarially determined contribution	<u>(70,046)</u>
Annual pension cost	1,327,994
Contributions made	<u>1,304,961</u>
Decrease in Net Pension Asset	(23,033)
Net Pension Asset beginning of year	<u>1,163,491</u>
Net Pension Asset at end of year	<u>\$1,140,458</u>

Defined Contribution Pension Plan

The City participates in a defined contribution retirement plan which is administered by the ICMA for nonbargaining employees. The defined contribution provisions of the plan require the City to contribute 6% to 8% of covered employee payroll and to match employee contributions up to 0% to 2%. The participants direct their investments under defined contribution provisions. The City contributed \$155,028 and employees contributed \$39,203 to the defined contribution plan.

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

12. LITIGATION/CONTINGENT LIABILITY

In the normal course of its activities, the City has become a party in various legal actions, including property tax assessment appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City and, therefore, has not reflected loss reserves in the financial statements.

13. RISK MANAGEMENT

The City estimates the liability for the partially self-funded insurance claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in Internal Service Funds. Changes in the estimated liability for the past two fiscal years were as follows:

	<u>Health and Dental Insurance</u>	<u>Vehicle Insurance</u>	<u>Property Insurance</u>	<u>General Liability Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Income Protection Insurance</u>	<u>Total</u>
Estimated liability – July 1, 2002	\$ 270,000	\$ -	\$ -	\$ 13,250	\$ 1,848	\$ -	\$ 285,098
Estimated claims and premiums incurred, including changes in estimates	2,985,831	81,627	33,093	169,292	258,286	65,335	3,593,464
Claims and premiums paid	<u>2,985,831</u>	<u>81,627</u>	<u>33,093</u>	<u>172,542</u>	<u>258,286</u>	<u>65,335</u>	<u>3,596,714</u>
Estimated liability – June 30, 2003	270,000	-	-	10,000	1,848	-	281,848
Estimated claims and premiums incurred, including changes in estimates	4,193,763	172,143	27,323	141,079	462,099	56,029	5,052,436
Claims and premiums paid	<u>4,137,763</u>	<u>172,143</u>	<u>27,323</u>	<u>126,079</u>	<u>409,148</u>	<u>56,029</u>	<u>4,928,485</u>
Estimated liability – June 30, 2004	<u>\$ 326,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 54,799</u>	<u>\$ -</u>	<u>\$ 405,799</u>

* * * * *

- - FUND TYPE: GENERAL FUND - - -

FINANCIAL PRESENTATION OF THE FOLLOWING FUND CAN BE FOUND IN:

- o **BASIC FINANCIAL STATEMENTS:**
 - > **GOVERNMENTAL FUNDS STATEMENTS - "GENERAL FUND" COLUMN**
(INDIVIDUAL FUND PRESENTATION)
- o **COMBINING STATEMENTS:**
 - > **A SEPARATE EXHIBIT PROVIDES GENERAL FUND SUPPLEMENTAL FINANCIAL DATA**

GENERAL FUND

(Financial Reporting Classification: A Major Governmental Fund)

The General Fund is a governmental fund, and represents the basic and primary operating fund of general government operations. This fund records financial resources used for day-to-day general government service activities, such as City Administration, Public Safety, Community & Neighborhood Services, Leisure & Cultural Services, Cemeteries, etc. Certain activities, programs and projects are financed and recorded in other funds, in accordance with requirements and legal restrictions as set forth by the Governmental Accounting Standards Board.

The General Fund receives the majority of its financing from such sources as property taxation, state shared revenues, fees & charges for services, investment income, and an annual operating transfer from the City's Electric Utility Fund in accordance with provisions in the Holland City Charter.

Although not a fixed rule, an attempt is made - through the budgeting process - to maintain the fund balance within a range between 7¹/₂% to 15% of the ensuing year's adopted budget appropriation for this fund.

CITY OF HOLLAND, MICHIGAN

BALANCE SHEET
GENERAL FUND

JUNE 30, 2004

ASSETS

Cash and pooled investments	\$ 4,231,343
Accrued interest	109,861
Receivables - net:	
- General and cemetery	71,504
- Other governmental units	602,965
- Property taxes	20,169
Travel advances	2,493
Prepaid items	3,708
Due from other funds	106
Total assets	\$ 5,042,149

LIABILITIES AND FUND BALANCELIABILITIES:

Accounts payable	\$ 343,623
Accrued payroll and benefits	591,118
Earned employee compensated absences	1,351,694
Deposits for:	
- Advance payments of property taxes not yet due	23,687
- Duplicate payments and overpayments of property taxes	59,724
- Undistributed service charge in lieu of taxes	2,407
- Nature Center tours	15,540
- Police Evidence Room	130
Due to other funds	102,373
Total liabilities	2,490,296

FUND BALANCE:

Unreserved:	
Undesignated	2,551,853
Total fund balance	2,551,853
Total liabilities and fund balance	\$ 5,042,149

CITY OF HOLLAND, MICHIGAN

SCHEDULE OF REVENUES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
TAXES:				
Property	\$ 10,162,082	\$ 9,997,017	\$ 10,039,588	\$ 42,571
Penalties and interest on delinquent taxes	100,000	110,000	104,609	(5,391)
Administration fee	496,800	491,834	493,047	1,213
Public service charge in lieu of property tax	12,500	13,200	13,545	345
Other miscellaneous tax revenue	1,700	1,700	1,686	(14)
Total taxes	10,773,082	10,613,751	10,652,475	38,724
LICENSES AND PERMITS:				
Business	398,150	403,400	463,205	59,805
Nonbusiness	19,900	20,668	19,155	(1,513)
Total licenses and permits	418,050	424,068	482,360	58,292
INTERGOVERNMENTAL:				
State	3,571,015	3,327,387	3,300,931	(26,456)
Other	39,500	40,190	40,518	328
Total intergovernmental	3,610,515	3,367,577	3,341,449	(26,128)
CHARGES FOR SERVICES:				
Fees	451,700	459,273	448,971	(10,302)
Services rendered	423,050	388,029	389,548	1,519
Sales	36,800	20,328	43,260	22,932
Total charges for services	911,550	867,630	881,779	14,149
FINES AND FORFEITS	245,000	245,000	237,187	(7,813)
INTEREST AND RENTS:				
Investment earnings	388,500	236,229	173,509	(62,720)
Rents	187,100	181,600	175,741	(5,859)
Total interest and rents	575,600	417,829	349,250	(68,579)
MISCELLANEOUS	8,000	12,834	12,227	(607)
TOTAL REVENUES	\$ 16,541,797	\$ 15,948,689	\$ 15,956,727	\$ 8,038

CITY OF HOLLAND, MICHIGAN

SCHEDULE OF EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
GENERAL GOVERNMENT:				
City Council	\$ 203,900	\$ 197,446	\$ 188,195	\$ 9,251
City Manager	314,300	312,515	316,016	(3,501)
Elections	78,630	58,287	53,910	4,377
City Finance	633,400	622,630	624,908	(2,278)
Independent Audit	28,200	25,995	25,549	446
City Assessor	474,974	436,869	422,089	14,780
Legal Services	212,100	184,000	185,356	(1,356)
City Clerk	248,100	224,526	222,255	2,271
Personnel	268,950	318,660	318,468	192
Purchasing	30,700	34,580	34,229	351
City Treasurer	180,300	212,920	212,056	864
City Hall and Grounds	193,800	207,067	196,622	10,445
Cemetery	457,736	453,759	464,434	(10,675)
Volunteer Services	80,400	25,297	19,782	5,515
Planning Commission	252,200	249,515	247,801	1,714
Total General Government	3,657,690	3,564,066	3,531,670	32,396
PUBLIC SAFETY:				
Police	5,796,359	5,866,329	5,887,768	(21,439)
Fire	2,499,952	2,518,828	2,571,388	(52,560)
Environmental Health/Inspections	409,720	411,576	415,900	(4,324)
Construction Inspections	395,291	402,191	402,756	(565)
Emergency Preparedness	-	-	-	-
Total Public Safety	9,101,322	9,198,924	9,277,812	(78,888)
PUBLIC WORKS:				
Streets	1,214,614	1,205,525	1,173,165	32,360
City-At-Large Utilities	-	-	-	-
Total Public Works	1,214,614	1,205,525	1,173,165	32,360
WELFARE AND SOCIAL SERVICES:				
Social Services	181,000	164,360	164,153	207
Ourstreet Program	206,506	192,416	191,416	1,000
Economic Development Assistance	133,500	109,780	88,086	21,694
Human Relations Commission	133,600	139,650	138,476	1,174
Total Welfare and Social Services	654,606	606,206	582,131	24,075
CULTURE AND RECREATION:				
Parks	1,400,823	1,506,013	1,486,772	19,241
Municipal Stadium	81,630	80,932	74,923	6,009
Nature Center	187,900	180,229	176,147	4,082
Cultural-Recreational	375,500	381,600	381,000	600
Civic Center	252,200	259,854	247,178	12,676
Recreation	901,770	886,681	837,181	49,500
Boat Launch	7,500	9,110	7,882	1,228
Market	31,400	30,470	29,226	1,244
Leisure Services Administration	119,300	96,130	90,903	5,227
Total Culture and Recreation	3,358,023	3,431,019	3,331,212	99,807
Total Capital Outlay	-	-	-	-
OTHER APPROPRIATIONS:				
Insurance	258,500	156,900	144,212	12,688
Contingencies	-	-	-	-
Total Other Appropriations	258,500	156,900	144,212	12,688
TOTAL EXPENDITURES	\$ 18,244,755	\$ 18,162,640	\$ 18,040,202	\$ 122,438

CITY OF HOLLAND, MICHIGAN

SCHEDULE OF TRANSFERS
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
TRANSFERS IN:				
Cemetery Trust Fund	50,000	29,140	\$ 10,529	(18,611)
Tulip Planting Contest Fund	-	16,902	18,922	2,020
Electric Utility Fund	2,298,000	2,298,000	2,298,000	-
Vehicle Insurance Fund	-	23,000	23,000	-
Total transfers in	\$ 2,348,000	\$ 2,367,042	\$ 2,350,451	\$ (16,591)
TRANSFERS OUT:				
Depot Operations Fund	\$ 37,500	\$ 33,250	\$ 22,708	\$ 10,542
Windmill Island Fund	112,252	169,262	188,729	(19,467)
Public Safety Grants Fund				
Law Enforcement IX Grant	-	1,814	1,814	-
Law Enforcement X Grant	-	3,476	2,047	1,429
WEMET XVII Grant	100,600	68,000	67,333	667
WEMET XVI Grant	-	15,431	15,431	-
Police Community Relations	4,200	4,200	4,200	-
Miscellaneous Government Functions Fund				
Contested Assessments Defense	70,000	90,000	90,000	-
Capital Project Funds	-	11,000	11,000	-
Communication Services Fund	-	1,796	1,796	-
Equipment Services Fund				
Fire Vehicle	125,000	100,000	100,000	-
Total transfers out	\$ 449,552	\$ 498,229	\$ 505,058	\$ (6,829)

- - - **FUND TYPE: SPECIAL REVENUE FUNDS** - - -

Special Revenue Funds are governmental funds that account for proceeds of specific revenue sources which are legally restricted to expenditures for specified purposes. Major capital projects are exceptions that are designated to other types of governmental funds.

FINANCIAL PRESENTATION OF THE FOLLOWING FOUR FUNDS CAN BE FOUND IN:

- o **BASIC FINANCIAL STATEMENTS:**
 - > **GOVERNMENTAL FUNDS STATEMENTS - "OTHER GOVERNMENTAL FUNDS" COLUMN**
(CONSOLIDATED WITH SEVERAL OTHER NONMAJOR GOVERNMENTAL FUNDS)
- o **COMBINING STATEMENTS:**
 - > **NONMAJOR GOVERNMENTAL FUNDS STATEMENTS - INDIVIDUAL FUND COLUMNS**
(INDIVIDUAL FUNDS PRESENTATION)

MOTOR VEHICLE HIGHWAY MAJOR STREETS FUND

(Financial Reporting Classification: A NonMajor Governmental Fund)

The Major Streets Fund is established pursuant to State of Michigan P.A. 51 of 1951, as amended. Its purpose is to receive distributions from the Michigan Transportation Fund. Funding is also received from the State's Local Road Program (a.k.a., Build Michigan).

These revenues are required to be expended for maintenance and/or construction of designated *major* streets and bridges. However, the local government is allowed to transfer a portion of these revenues to the Local Street Fund for use on designated *local* streets & bridges (ref: Michigan Public Act 51 of 1951, as amended).

The Major Streets Fund also records all maintenance expenditures for designated state trunkline routes located within the City of Holland, receiving dollar-for-dollar reimbursement from the Michigan Transportation Fund. Finally, the State has conveyed ownership and control of certain state trunkline roads, for which the City now assumes full responsibility for all maintenance and upkeep, as a part of its major streets system. The Michigan Transportation Fund provides an annual "turnback" payment to the City as part of its distribution formula.

MOTOR VEHICLE HIGHWAY LOCAL STREETS FUND

(Financial Reporting Classification: A NonMajor Governmental Fund)

The Local Streets Fund is established pursuant to State of Michigan P.A. 51 of 1951, as amended. Its purpose is to receive distributions from the Michigan Transportation Fund. Funding is also received from the State's Local Road Program (a.k.a., Build Michigan).

Revenues are required to be expended for maintenance and/or construction of designated *local* streets and bridges. However, all outlays for construction of *local streets* must be matched dollar-for-dollar with locally derived sources (ref: Michigan Public Act 51 of 1951, as amended).

ALLEGAN COUNTY ROAD TAX FUND

(Financial Reporting Classification: A NonMajor Governmental Fund)

The Allegan Road Tax Fund is established pursuant to State of Michigan Public Act 283 of 1909, as amended. Its purpose is to receive a proportional distribution of a county-wide (voted) property tax millage. The distribution is established as a relationship of the taxable value of the portion of the City located within the County of Allegan compared to the taxable value of the entire County. In addition, a portion of the Single Business Tax distribution that the county receives from the State of Michigan is also prorated to the City.

Outlays from the fund are in the nature of transfers to designated capital projects for streets, bridges, and right-of-ways located within the Allegan County portion of the City.

- - - **FUND TYPE: SPECIAL REVENUE FUNDS** - - -
(continued)

STREET IMPROVEMENTS RESERVE FUND

(Financial Reporting Classification: A NonMajor Governmental Fund)

In May 1985, the Holland City Council mandated establishment of a separate fund to accumulate a cash balance dedicated for road and right-of-way improvements to the City's street system.

Primary funding is provided by an annual property tax levy of one mill. Outlays from this fund are primarily in the form of transfers to designated capital projects for streets, bridges, and right-of-ways.

FINANCIAL PRESENTATION OF THE FOLLOWING THREE ACTIVITIES CAN BE FOUND IN:

o **BASIC FINANCIAL STATEMENTS:**

> **GOVERNMENTAL FUNDS STATEMENTS - "OTHER GOVERNMENTAL FUNDS" COLUMN**
(CONSOLIDATED WITH SEVERAL OTHER NONMAJOR GOVERNMENTAL FUNDS)

o **COMBINING STATEMENTS:**

> **NONMAJOR GOVERNMENTAL FUNDS STATEMENTS - "DOWNTOWN OPERATIONS"**
COLUMN
(CONSOLIDATED FUNDS PRESENTATION)

DOWNTOWN OPERATIONS FUND includes the following:

(Financial Reporting Classification: A NonMajor Governmental Fund)

DOWNTOWN PUBLIC PARKING SYSTEM

The downtown area includes several municipally-owned public parking lots. Additionally, various other privately-owned parking lots, some of which are leased to the City of Holland for use as public parking facilities.

The primary revenue item is an annual operating assessment levied against property owners within a designated downtown district that receive direct or indirect benefit from the parking lots. Expenditures are applied towards routine maintenance and upkeep of public parking lots, towards lease payments on privately-owned lots, and to relatively minor capital projects such as lot enhancements and land acquisitions.

DOWNTOWN SNOWMELT OPERATING SYSTEM

As part of a 1988 Downtown Streetscape Project, the City of Holland installed steam-heated pipes and tubes into the streets and adjacent sidewalks for several blocks of the shopping district. The City's municipal electric-generating plant provides temperature-regulated steam through the pipes and tubes that melt the ice and snow on pavement surface.

Revenues are received from an annual operating assessment levied against property owners within a designated downtown district that benefit from the snowmelt. Additionally, operating transfers are received from the Motor Vehicle Highway Major Streets Fund and the Downtown Parking System Fund. Expenditures are applied toward operating and maintaining the snowmelt system.

DOWNTOWN PRINCIPAL SHOPPING DISTRICT

As authorized by State of Michigan Act 120 of 1961, as amended, a *Principal Shopping District* (PSD) for the downtown area was created by Ordinance No. 1223 effective October 7, 1998. The PSD is administered by the City's *Mainstreet/DDA* for the purpose of promoting the downtown shopping district by a coordinated effort of marketing and special events.

Revenues are received from an annual operating assessment levied against property owners within a designated downtown district that benefit from the PSD. Expenditures are primarily applied towards advertising & marketing, consultants, and special events designed to benefit the downtown.

- - - FUND TYPE: SPECIAL REVENUE FUNDS - - -
(continued)

FINANCIAL PRESENTATION OF THE FOLLOWING SIX ACTIVITIES CAN BE FOUND IN:

- o **BASIC FINANCIAL STATEMENTS:**
 - > **GOVERNMENTAL FUNDS STATEMENTS** - **"OTHER GOVERNMENTAL FUNDS"**
COLUMN
(CONSOLIDATED WITH SEVERAL OTHER NONMAJOR GOVERNMENTAL FUNDS)
- o **COMBINING STATEMENTS:**
 - > **NONMAJOR GOVERNMENTAL FUNDS STATEMENTS** - **"MISC. GOV'T FUNCTIONS"**
COLUMN
(CONSOLIDATED FUNDS PRESENTATION)

CONTESTED ASSESSMENTS DEFENSE

(Financial Reporting Classification: A NonMajor Governmental Fund)

The City must defend various property assessments that are contested by industrial and commercial property owners. In the course of defending these contested items, costs are frequently incurred for litigation, independent appraisals and/or accounting services.

Also, legal services incurred for the collection of delinquent personal property taxes are also charged to this fund.

This fund receives financial support by operating transfers from the General Fund, as considered necessary. In essence, such transfers represent a portion of the 1% Tax Administrative Fee that the City of Holland annually levies upon the property tax rolls. The 1% fee was established by adoption of City Ordinance Code No. 1112 effective May 18, 1994, to assist with offsetting the costs to administer property assessing and tax collections.

This fund records revenues and expenditures related to these purposes.

CATV PUBLIC ACCESS CHANNEL TELEVISION

In accordance with terms of a licensing agreement with the private-sector cable television firm, Comcast, Inc., the City of Holland receives an annual franchise fee equal to five percent of gross subscriber revenues. The agreement specifies that this revenue is to be used for the promotion of community television within the city.

The City of Holland contracts with Macatawa Area Community Network (MACNET), a local media agency and internet service provider, for the purpose of providing local cable television programming services for and by various religious, educational, governmental, ethnic, professional, cultural and other special interest groups. For performing these services, the agency is compensated from this fund.

This fund records revenues and expenditures related to these purposes.

CASH ASSISTANCE

In recent years, this long-established fund has evolved from a revolving fund providing upfront working capital assistance for special assessment construction projects. Due to a change in the method of financing various special assessment construction projects, this fund now receives reduced and/or sporadic revenues from various sources. Revenues are still received on a dwindling number of outstanding "unbonded" special assessment roll balances, resulting in significantly less incoming cash to this fund..

To a limited extent, financing is occasionally provided to certain city-at-large projects, for which no reimbursement is made. Such non-revolving draws against this fund further reduce available working capital.

The role that this fund plays in providing assistance is gradually declining.

- - - **FUND TYPE: SPECIAL REVENUE FUNDS** - - -
(continued)

SPECIFIED DONATIONS

Each year, the Holland City Council accepts contributions from donors with stipulations regarding how they desire the money to be used. For various reasons, a period of time sometimes elapses prior to expenditure of the donated funds.

This fund provides financial accountability for receipt of donations, for disbursements that are in accordance with the intended and accepted purpose, as well as for related balance sheet items.

DANGEROUS STRUCTURES

Various sections and sub-sections within Chapters 6, 14, 15 and 19 of the City Ordinance Code establish local government authority for actions to be taken regarding housing and business properties that are considered to be 'dangerous structures'. Legal actions that the city government may impose include the right to secure, to fix, or to demolish such properties if the property owner of record does not take appropriate action in a timely manner; with the property owner to reimburse the City for such costs.

In accordance with City Council Action No. 02.675 dated October 16, 2002, this fund was established to account for the these costs; and the City to invoice the property owner for all such costs. If the invoice is not paid within a specified time period, the City Council is to declare the amount as a special assessment against the property; and entered for collection via the ensuing property tax roll.

For initial establishment of this fund, the Council Action 02.675 authorized a one-time appropriation transfer of \$10,000. This amount is to permanently remain with this fund for purposes of revolving costs and reimbursements.

EMPLOYEES BENEFIT

The City Hall and Police Department facilities each provide a coffee shop / lunch room for the benefit of staff and members of various commissions. This fund provides financial accountability for the respective operations. The primary revenue source is derived from sales of merchandise. Expenses include the purchase of lunch room inventory items, and items for special events such as decorated cakes, flowers, cards, and gifts.

FINANCIAL PRESENTATION OF THE FOLLOWING FIVE ACTIVITIES CAN BE FOUND IN:

- o **BASIC FINANCIAL STATEMENTS:**
 - > **GOVERNMENTAL FUNDS STATEMENTS - "OTHER GOVERNMENTAL FUNDS"**
COLUMN
(CONSOLIDATED WITH SEVERAL OTHER NONMAJOR GOVERNMENTAL FUNDS)
- o **COMBINING STATEMENTS:**
 - > **NONMAJOR GOVERNMENTAL FUNDS STATEMENT - "PROPERTY & IMPROVEMENT"**
COLUMN
(CONSOLIDATED FUNDS PRESENTATION)

PROPERTY AND IMPROVEMENT FUND includes the following:

(Financial Reporting Classification: A NonMajor Governmental Fund)

PROPERTY ACQUISITION

Originally established with adoption of the fiscal year 1988-89 budget, a separate fund is maintained to accumulate financial capital for property acquisitions as opportunities arise that are considered essential and/or desirable for the location of new municipal facilities or expansion of existing facilities, for waterfront properties, as well as for additional open green space areas.

Primary funding is provided by a property tax millage rate, as determined through the annual budgeting process.

Outlays include payments to sellers, as well as disbursements for incidental costs such as legal charges, pro-rated property taxes, environmental cleanup expense, etc. In some instances, internal transfers may be made to financially assist another fund that is accounting for the acquisition of property.

- - - FUND TYPE: SPECIAL REVENUE FUNDS - - -
(continued)

MICH. UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE (MUSTFA)

Michigan Dept of Environmental Quality (MDEQ) requires the City of Holland to provide environmental cleanup of property sites where underground fuel storage tanks have recently been removed. These sites were determined to have caused soil and underground water contamination. Monitoring and testing of contaminated sites continues by a qualified independent engineering firm, together with various clean-up procedures.

Previously, the MDEQ provided reimbursement to this fund based upon "eligibility guidelines". Since approximately mid-1995 the MDEQ has ceased funding assistance due to lack of funds. Since that time, the City of Holland has absorbed the financial burden for all costs; primarily by operating transfers from other funds. Expenditures include on-going costs for engineering fees to monitor, test and report to the MDEQ; together with costs for cleanup actions.

At the close of the fiscal year, the estimated long-term liability amount to complete the overall process is estimated at \$90,000, with a projected time frame that concludes in the year 2009. This liability estimate is recorded in the City's *General Long-Term Debt Account Group*.

AIRPORT DONATIONS

By City Charter amendment, the City of Holland is authorized to acquire, construct, improve, and operate a municipal airport financed through federal and state grants, private contributions, and airport operating revenues. The charter amendment stipulates no local tax dollars or general operating revenues of the City may be used for airport purposes without voter approval.

The City is recipient to various federal and state grants to purchase land and/or substantially improve upon the *Tulip City Airport*. The remaining local matching portion must be derived from local sources, for which several local area businesses and individuals pledge donations.

This fund provides financial accountability for the local private pledges representing the local governmental unit portion of costs. Primary expenditure outlays represent transfers and payments for local matching requirements.

MI. ECONOMIC DEVELOPMENT CORP. (MEDC) / UNIFORM COLOR GRANT

The City of Holland is a grant sub-recipient from the Michigan Community Development Block Grant Program, pursuant to Title I of the Housing and Community Development Act of 1974, as amended. This grant passes through from the Michigan Strategic Fund (grantor) to the County of Allegan (grantee), and then forwarded to the City of Holland (administrator of grant proceeds, per cooperative agreement with Allegan County). The City's role for this economic development grant program is to provide direct payment for various infrastructure improvements at a new site location for a manufacturing facility owned by *Uniform Color Company*.

The grant agreement provides for a total pass-thru amount of \$600,350, with the City's required local match to be in the form of in-kind services. The agreement stipulates a "term of work performance" of three years, from December 1, 2002 to November 30, 2005. Reference: City Council Actions: No. 02.643 dated October 2, 2002 and No. 02.793 dated December 4, 2002 approving applications for this grant funding.

This fund is established with a multi-fiscal year budget encompassing revenues and expenditures that span the entire open period of the grant from inception to completion. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2003 are carried forward to the City's ensuing fiscal year.

- - - FUND TYPE: SPECIAL REVENUE FUNDS - - -
(continued)

MUNICIPAL IMPROVEMENTS CASH CONTROL

The Holland City Charter authorizes the establishment of a Capital Improvements Fund that provides financing for various general municipal capital projects.

Primary funding is provided by a property tax millage rate, as determined through the annual budgeting process. Additional significant sources of funding may include internal transfers from other funds, and investment income.

The capital projects financed by this fund are very frequently of a multi-year nature (i.e., a duration that overlaps two or more fiscal years). As budget appropriations for various municipal capital improvement projects are established, corresponding reserves are established in this fund to assure project financing requirements are met.

FINANCIAL PRESENTATION OF THE FOLLOWING SEVEN ACTIVITIES CAN BE FOUND IN:

o **BASIC FINANCIAL STATEMENTS:**

> **GOVERNMENTAL FUNDS STATEMENTS - "OTHER GOVERNMENTAL FUNDS" COLUMN**
(CONSOLIDATED WITH SEVERAL OTHER NONMAJOR GOVERNMENTAL FUNDS)

o **COMBINING STATEMENTS:**

> **NONMAJOR GOVERNMENTAL FUNDS STATEMENT - "PUBLIC SAFETY GRANTS" COLUMN**
(CONSOLIDATED FUNDS PRESENTATION)

POLICE CRIMINAL JUSTICE TRAINING

(Financial Reporting Classification: A NonMajor Governmental Fund)

State of Michigan Act 302 of 1982 requires district courts to impose an added assessment on civil infractions under the Michigan Vehicle Code, with a few exceptions. The assessments are in addition to the fines and court costs ordered to be paid, and are forwarded to the State of Michigan. The funding is not in the form of a grant.

The State distributes 60% of assessments to local governments based upon the number of full-time police officers currently employed. The funding is required to supplement, and not supplant, training appropriations in the Police Dept annual operating budget. The funding is not in the form of a grant.

This fund provides financial accountability for revenue & expenditure operations, as well as balance sheet items.

The funding received is continuous from year-to-year, and the fund remains open at the close of the fiscal year.

POLICE COMMUNITY RELATIONS

(Financial Reporting Classification: A NonMajor Governmental Fund)

The *Community Relations Unit* of the Holland Police Department receives donations from citizens, churches, business firms, and civic organizations.

Proceeds are entrusted for use in assisting with emergency housing, food, and other special needs of indigent persons as determined by the Community Relations Committee. Other activities include the coordination of community-wide efforts against alcohol and drug abuse, and promoting certain events for disadvantaged youth of the community.

This fund provides financial accountability for revenue & expenditure operations, as well as balance sheet items.

- - - FUND TYPE: SPECIAL REVENUE FUNDS - - -
(continued)

ANTI-DRUG ABUSE ACT GRANT – “W.E.M.E.T.”

(Financial Reporting Classification: A NonMajor Governmental Fund)

The City of Holland is recipient to grant funding from the *U.S. Dept of Justice* pursuant to provisions of the federal *Anti-Drug Abuse Act*; and administered by the *State of Michigan – Office of Criminal Justice*. This program is identified by the drug enforcement agency that it supports, referred to as *West Michigan Enforcement Team (WEMET)*. The designated purpose is to financially support efforts of a consortium of area police departments that assign specific police officers to investigations and prosecutions concerning illegal drug trafficking.

This fund is established as multi-fiscal year to encompass revenues and expenditures that span the entire open period of the specific grant from inception to completion. For annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Unexpended appropriations at June 30, 2003 are carried forward to the ensuing fiscal year.

Program funding for the first fifteen grant years included:

Grant Period	Federal Pass-Thru Grant	WEMET Assistance	Local Taxation	Total Funding	Status At June 30, 2003
01/01/88 - 09/30/02	\$1,993,459	\$ 454,969	\$1,396,778	\$3,845,206	Final – Actual
10/01/02 - 09/30/03	103,308	- 0 -	103,309	206,617	Open – Budgeted

(Above dates include the initial grant award plus fourteen continuation grant awards)

OFFICE OF HIGHWAY SAFETY GRANT

(Financial Reporting Classification: A NonMajor Governmental Fund)

The City of Holland is recipient to grant funding (in some instances as primary grantee and other instances as sub-grantee) from the *U.S. Dept of Transportation*; and administered by the *Michigan State Police – Office of Highway Safety Planning*. Specific designated purposes and programs vary from one grant period to another, but basically the funding provides overtime wages for police and sherriff officers to target speed law violations, safety restraint violations, driving under the influence violations, and under age alcohol consumption at parties. Neighboring government agencies jointly participating with the City of Holland include Allegan and Ottawa counties, and Grand Valley State University.

This fund is established as multi-fiscal year to encompass revenues and expenditures that span the entire open period of the specific grant from inception to completion. For annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Unexpended appropriations at June 30, 2003 are carried forward to the ensuing fiscal year.

Program funding sources includes:

Grant Period	Federal Pass-Thru Grant		Status At June 30, 2003
	City of Holland Portion	Total for All Participating Gov'ts	
10/01/98 – 09/30/02	\$ 54,693	\$ 9,805	Actual – Closed
10/01/02 – 09/30/03	\$ 22,215	Not Available	Budgeted – Open
10/01/02 – 06/30/03	\$ 5,939	\$ 11,979	Budgeted – Open

(Above dates and amounts represent the initial grant plus seven additional grant awards)

- - - FUND TYPE: SPECIAL REVENUE FUNDS - - -
(continued)

LAW ENFORCEMENT BLOCK GRANT

(Financial Reporting Classification: A NonMajor Governmental Fund)

The City of Holland is recipient to grant funding awarded and administered by the *U.S. Dept of Justice – Local Law Enforcement Block Grants Division*, pursuant to provisions contained in the *Omnibus Fiscal Year 1996 Appropriations Act*. Specific designated purposes vary from one grant period to another, but basically the funding provides acquisition of mobile computer terminals (MCT's) and Geographic Information System (GIS) software, enhancements to GIS for mapping and plotting crime statistics, a computer link to the Liaison Police Officer, internet website improvements for easier public access to crime data, enhancements to program presentation capabilities, a City Watch system, an alarm system, an upgrade to jail booking and fingerprint technology, and new gun belts/accessories and bullet-proof vests.

This fund is established as multi-fiscal year to encompass revenues and expenditures that span the entire open period of the specific grant from inception to completion. For annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Unexpended appropriations at June 30, 2003 are carried forward to the ensuing fiscal year.

Program funding sources included:

<u>Grant Period</u>	<u>Federal Direct Grant</u>	<u>Local Taxation</u>	<u>Total Funding</u>	<u>Status At June 30, 2003</u>
10/01/96 - 09/30/02	\$ 150,777	\$ 26,386	\$ 177,163	Final – Actual
10/01/01 - 09/30/03	66,754	7,417	74,171	Budgeted – Open

(Above dates and amounts represent the initial grant plus ten additional grant awards)

OFFICE OF JUSTICE PROGRAMS GRANT

(Financial Reporting Classification: A NonMajor Governmental Fund)

The City of Holland was recipient to grant funding from the U.S. Dept of Justice, through the federal *Office of Justice Programs*. This program is identified and referred to as *COPS in School*, with the designated purpose of providing a Holland Police Officer – in a full-time capacity – to the local Community Education facility. This program provided policing services, with special emphasis towards the "Alternative Education Program" for *at-risk* students. During the summer months, this same officer is to provide community policing services to neighborhood surrounding the Community Education facility. The City and Holland Community Education each provided a local funding financial parital match towards program costs.

This fund was established as multi-fiscal year to encompass revenues and expenditures that span the entire open period of the specific grant from inception to completion. For annual financial reporting purposes, revenues and expenditures were also recognized by fiscal year. The grant concluded August 31, 2002, and the fund is closed out at June 30, 2003.

Program funding sources include:

<u>Grant Period</u>	<u>Federal Pass-Thru Grant</u>	<u>Local Match Amounts</u>		<u>Total Funding</u>	<u>Status At June 30, 2003</u>
		<u>City of Holland</u>	<u>Holland Community Education</u>		
09/01/99 - 08/31/02	\$ 125,000	\$ 10,772	\$ 10,771	\$ 146,543	Final – Actual

(Above Grant Period represents three consecutive years of grant funding)

- - - FUND TYPE: SPECIAL REVENUE FUNDS - - -
(continued)

FEMA FIREFIGHTERS GRANT

(Financial Reporting Classification: A NonMajor Governmental Fund)

The City of Holland is recipient to grant funding from the *Federal Emergency Management Agency* (FEMA) for the period September 15, 2002 through December 30, 2003 . This program is identified and referred to as Assistance to Firefighters Grant. The program provides a comprehensive fitness and wellness program for the Fire Department, including all full and part-time employees. Activities include physicals, colonoscopies, treadmill exercise equipment, physical fitness evaluations and peer fitness trainer classes.

This fund is established as multi-fiscal year to encompass revenues and expenditures that span the entire open period of the specific grant from inception to completion. For annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Unexpended appropriations at June 30, 2003 are carried forward to the ensuing fiscal year.

Program funding sources include:

<u>Grant Period</u>	<u>Federal Direct Grant</u>	<u>Local Taxation</u>	<u>Total Funding</u>	<u>Status At June 30, 2003</u>
09/15/02 - 12/30/03	\$ 26,183	\$ 2,909	\$ 29,092	Budgeted - Open

(Above dates and amounts represent the initial grant award)

FINANCIAL PRESENTATION OF THE FOLLOWING NINE ACTIVITIES CAN BE FOUND IN:

- o **BASIC FINANCIAL STATEMENTS:**
 - > **GOVERNMENTAL FUNDS STATEMENTS - "OTHER GOVERNMENTAL FUNDS" COLUMN**
(CONSOLIDATED WITH SEVERAL OTHER NONMAJOR GOVERNMENTAL FUNDS)
- o **COMBINING STATEMENTS:**
 - > **NONMAJOR GOVERNMENTAL FUNDS STATEMENT -**
"CULTURAL AND COMMUNITY IMPROVEMENTS" COLUMN
(CONSOLIDATED FUNDS PRESENTATION)

DISTRICT LIBRARY TAXATION

(Financial Reporting Classification: A NonMajor Governmental Fund)

Initially established with the City of Holland's 1997 property tax levy, the purpose of this fund is to record City of Holland property tax revenues that are designated specifically for Herrick District Library (the Library had become a separate entity, with separate accounting effective July 1997). Rather than Herrick District Library imposing its own tax levy, the adopted intergovernmental contractual arrangement prescribes that the City and three adjacent townships composing the library district, each levy an identical tax millage rate for the library, and pay collected taxes to the library district.

Revenues are established based upon total amount of the tax levy, and expenditures represent collections paid to the library. Uncollected taxes are recorded as delinquent receivables.

KOLLEN PARK BOAT LAUNCH

(Financial Reporting Classification: A NonMajor Governmental Fund)

A weekend attendant program services the boat launching facility at the municipally-owned boat ramp and parking facility located at Kollen Park on Lake Macatawa. Attendants are on duty during peak hours to provide direction and orderliness, assist people with launching and landing their boats, and to help with parking concerns.

Revenues are generated primarily from season launching fees, and secondarily from daily launching fees. Expenses incurred are largely for wages paid to part-time attendants. Attended boat launching activity occurs each year from approximately Memorial Day to Labor Day.

- - - FUND TYPE: SPECIAL REVENUE FUNDS - - -
(continued)

MUNICIPAL FARMERS' MARKET

(Financial Reporting Classification: A NonMajor Governmental Fund)

The Farmers' Market is a seasonal municipal activity that operates twice weekly from approximately June through October of each year. Local area farmers and growers pay rental fees for use of space in the City's Civic Center parking lot, from which they are permitted to sell their produce items.

The net income generated by market operations remains with this fund, subject to the ultimate determination of its use by the City Council.

WINDMILL ISLAND LOT RESERVATION

(Financial Reporting Classification: A NonMajor Governmental Fund)

The City of Holland had explored the concept of changing the status and appearance of its unique attraction referred to as Windmill Island. An evolving conceptual plan for development of a "Dutch Village" of actual residences and commercial establishments continued to be actively pursued throughout the fiscal year. The village was projected to include actual homes, commercial establishments, and some public buildings. Lots on which the homes and businesses would be built would have been leased for a designated period of years.

In anticipation of this project, '*Lot Reservation Agreements*' were prepared and signed for residential land parcels, and reservation deposits were placed into this fund. However, due to stalled (and now, cancelled) efforts to implement an approved project, the lot reservation monies have been returned to these individuals, together with interest.

This fund provided financial accountability for the deposits. As of June 30, 2003 all of the customer deposits have been returned, with interest; and the fund closed.

TULIP PLANTING CONTEST

(Financial Reporting Classification: A NonMajor Governmental Fund)

Several decades back, the City of Holland received a donation from a private sector contributor for the designated purpose of running a *Tulip Planting Contest* for residents of the community that desire to participate and compete with their own tulip displays.

Cash prizes are awarded from this fund to the contestants deemed to have the best display, as determined by a judging committee.

The initial contribution to this fund and proceeds of this fund are continuously invested, and the investment earnings help defray the cost of the awards given out each year.

BI-CENTENNIAL CELEBRATION GRANT

(Financial Reporting Classification: A NonMajor Governmental Fund)

By City Council action on May 24, 2000, the remaining balance in the City's Celebration 2000 Fund (agency fund) was transferred to a new fund dedicated to the City's bicentennial celebration to be held in the year 2047, for its 200 year history. The remaining available balance that was transferred into this new fund at June 30, 2000 amounted to \$5,772.

The intent is for this fund to gradually build up a cash balance over the next forty-six years by continuous investment of principal, together with the effect of compounded interest.

- - - FUND TYPE: SPECIAL REVENUE FUNDS - - -
(continued)

M.S.H.D.A. HOUSING REHABILITATION GRANT

(Financial Reporting Classification: A NonMajor Governmental Fund)

The City of Holland is recipient to grant funding from the U.S. Dept of Housing and Urban Development pursuant to provisions of the *U.S. Housing Act of 1937, as amended*; and administered by the Michigan State Housing Development Authority (MSHDA). Designated purposes for this funding include financial assistance to correct code deficiencies in rental dwelling units occupied by low-income residents, downpayment assistance for low-income homebuyers, and financial assistance to promote activities for neighborhood preservation & improvement.

This fund is established as multi-fiscal year to encompass revenues and expenditures that span the entire open period of the specific grant from inception to completion. For annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Unexpended appropriations at June 30, 2003 are carried forward to the ensuing fiscal year.

Program funding sources include:

Grant Issuance Date	Federal Pass-thru Grant			Status At June 30, 2003
	For Rehabilitation	For Administration	Total Funding	
Dec 1984 – Apr 1999	\$ 1,753,308	\$ 114,989	\$ 1,868,297	Final – Actual
Apr 2001 (NPP)	200,000	22,200	222,200	Open – Budgeted
Apr 2001 (HOME)	300,000	33,300	333,300	Open – Budgeted
(Above dates and amounts include the initial grant plus thirteen continuation grant awards)				

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) ENTITLEMENT

(Financial Reporting Classification: A NonMajor Governmental Fund)

The City of Holland is recipient to grant funding made available pursuant to provisions of the Entitlement Category of Title I of the Housing and Community Development Act of 1974 as amended; and administered by the U.S. Department of Housing and Urban Development. The City of Holland's program includes activities that will primarily benefit low-to-moderate income persons, or assist in the prevention or elimination of slums and blight, as required by the Housing and Urban Rural Recovery Act of 1983.

This fund is established as multi-fiscal year to encompass revenues and expenditures that span the entire open period of the specific grant from inception to completion. For annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Entitlements with open budget balances at June 30, 2003 are carried forward to the ensuing fiscal year.

Program funding sources include:

Grant Issuance Dates	Grant Entitlement Number	Total Federal Grant - Direct Funding -	Status At June 30, 2003
Jul 1984 – Jul 1993	I – X, Plus		
Plus Jul 1995 & July 1996	XII, XIII, XV, XVII	\$ 4,912,812	Final – Actual
Jul 1994	XI	411,584	Open – Budgeted
Jul 1997	XIV	425,503	Open – Budgeted
Jul 1999	XVI	417,094	Open – Budgeted
Jul 2001	XVIII	455,427	Open – Budgeted
Jul 2002	XIX	474,479	Open – Budgeted

(Above dates and amounts include the initial grant plus eighteen continuation grant awards)

- - - FUND TYPE: SPECIAL REVENUE FUNDS - - -
(continued)

WEED & SEED GRANT

(Financial Reporting Classification: A NonMajor Governmental Fund)

The City of Holland was designated as the host agency to receive grant funding made available through the U.S. Dept of Justice, FBI. This program is identified as Weed & Seed. In the initial years of the grant, the Macatawa Area Coordinating Council (a consortium of local-area governments) acted as the primary grantee (host agency) and the City of Holland as a sub-grantee. In October 1997, the City of Holland became host financial agency for Weed & Seed funding, with certain surrounding local governments designated as sub-grantees.

The expressed purpose of the program was to financially support collaborative efforts by law enforcement, social service agencies, and the private sector in a coordinated effort to weed out crime and undesirable activities in neighborhoods, while simultaneously seeding positive programs which will develop preventative measures against crime, drug abuse, gang activity, and improving the quality of life in targeted neighborhoods.

This fund was established as multi-fiscal year to encompass revenues and expenditures that spanned the entire open period of the specific grant from inception to completion. For annual financial reporting purposes, revenues and expenditures were also recognized by fiscal year. The fund remains open at June 30, 2003 only for a pending final receipt for open receivable item due from the U.S. Dept of Justice, FBI. Upon receipt of the receivable (anticipated in August 2003) the fund will be permanently closed.

Program funding sources include:

Total Across All Grant Periods	Federal Direct Grant		Donations	Status At June 30, 2003
	City of Holland Portion	Total for All Participating Gov'ts	Private Sector Contributions	
10/01/94 - 06/30/03	\$ 735,209	\$ 1,260,979	\$ 20,690	Final -- Actual

(Above dates and amounts include the initial grant plus four continuation grant awards)

FINANCIAL PRESENTATION OF THE FOLLOWING FUND CAN BE FOUND IN:

- o **BASIC FINANCIAL STATEMENTS:**
 - > **GOVERNMENTAL FUNDS STATEMENTS** - **"OTHER GOVERNMENTAL FUNDS" COLUMN**
(CONSOLIDATED WITH SEVERAL OTHER NONMAJOR GOVERNMENTAL FUNDS)
- o **COMBINING STATEMENTS:**
 - > **NONMAJOR GOVERNMENTAL FUND STATEMENT** - **"BUDGET STABILIZATION" COLUMN**
(INDIVIDUAL FUND PRESENTATION)

BUDGET STABILIZATION (RAINY DAY) FUND

(Financial Reporting Classification: A NonMajor Governmental Fund)

Pursuant to Michigan P.A. 30 of 1978, the City Council adopted Ordinance No. 757, that became effective June 25, 1980, authorizing the establishment of a Budget Stabilization Fund.

By City Ordinance and State of Michigan statutes, the balance maintained in this fund may be used to meet General Fund deficits, to alleviate the reduction of levels of essential services (if so desired by City Council), or offset costs incurred as the result of natural disasters.

Investment income generated in this fund is credited, instead, to the General Fund.

As a part of the annual budgeting process, the balance of this fund is examined and, to the extent possible, maintained at ten percent of the General Fund operating appropriations for the ensuing fiscal year. Each year the balance in the Budget Stabilization Fund is adjusted by way of an equity transfer from the General Fund.

- - - **FUND TYPE: DEBT SERVICE FUNDS** - - -

Debt Service Funds are governmental funds that account for financial resources accumulated to provide payment of principal, interest, and fees on general obligation, limited tax general obligation, building authority, and special assessment long-term debt.

FINANCIAL PRESENTATION OF THE FOLLOWING THREE FUNDS CAN BE FOUND IN:

o **BASIC FINANCIAL STATEMENTS:**

> **GOVERNMENTAL FUNDS STATEMENTS - "OTHER GOVERNMENTAL FUNDS" COLUMN**
(**CONSOLIDATED WITH SEVERAL OTHER NONMAJOR GOVERNMENTAL FUNDS**)

o **COMBINING STATEMENTS:**

> **NONMAJOR GOVERNMENTAL FUNDS STATEMENTS - DEBT SERVICE FUNDS COLUMNS**
(**INDIVIDUAL FUNDS PRESENTATION**)

GENERAL OBLIGATION DEBT SERVICE FUND

(Financial Reporting Classification: A NonMajor Governmental Fund)

The General Obligation Debt Service Fund accounts for property tax and investment income revenues that are, in turn, distributed to certain other funds, as follows:

- as "rental payments" to the *City of Holland - Building Authority Debt Service Fund* for annual debt service requirements of the *1995 Building Authority Bond Issue*.
- as "operating transfers" to the *Motor Vehicle Highway Major and Local Street Funds*, as a means of providing funding to the two street funds for financing annual debt service requirements of the *1995 and 1996 Street Improvement Bond Issues* (i.e., the street funds transfer these same amounts to the *Act 175 Street Debt Service Fund*).

ACT 175 STREET DEBT SERVICE FUND

(Financial Reporting Classification: A NonMajor Governmental Fund)

The Act 175 (Michigan Transportation Fund) Street Debt Service Fund accounts for annual "operating transfers" received from the City's *Motor Vehicle Highway Major & Local Street Funds* that are applied towards servicing maturity requirements on the following long-term debt:

- City of Holland - Street Improvements LTGO Bonds, Series 1995
- City of Holland - Street Improvements LTGO Bonds, Series 1996

SPECIAL ASSESSMENT DEBT SERVICE FUND

(Financial Reporting Classification: A NonMajor Governmental Fund)

The Special Assessment Debt Service Fund accounts for "special assessments" received from property owners in designated special assessment districts, and applied towards servicing maturity requirements on the following long-term debt:

- City of Holland - Utility Improvements Special Assessment Bonds, Series 1990A
 - City of Holland - Utility Improvements Special Assessment Bonds, Series 1992A
 - City of Holland - Utility Improvements Special Assessment Bonds, Series 1997A
 - City of Holland - Utility Improvements Special Assessment Bonds, Series 1998A
 - County of Allegan - Sanitary Sewer Installation, Special Assessment Bonds, Series 1999
(93.95% of a special assessment district in adjacent Fillmore Township was annexed on 12-31-99)
 - City of Holland - Utility Improvements Special Assessment Bonds, Series 2000A
 - City of Holland - Utility Improvements Special Assessment Bonds, Series 2002A
-

- - - FUND TYPE: DEBT SERVICE FUNDS - - -
(continued)

FINANCIAL PRESENTATION OF THE FOLLOWING FUND CAN BE FOUND IN:

- o **BASIC FINANCIAL STATEMENTS:**
 - > **GOVERNMENTAL FUNDS STATEMENTS - "BUILDING AUTHORITY DEBT SERVICE" COLUMN**
(INDIVIDUAL FUND PRESENTATION)
- o **COMBINING STATEMENTS:**
 - > **NOT PRESENTED IN COMBINING STATEMENTS**

BUILDING AUTHORITY DEBT SERVICE FUND

(Financial Reporting Classification: A Major Governmental Fund)

The Building Authority Debt Service Fund accounts for annual "rental payments" received from the City's *General Obligation Debt Service Fund*, and applied towards servicing maturity requirements on the following long-term debt obligations:

- Building Authority - City Hall Renovation/Expansion Project, Series 1996
- Building Authority - Police / Transportation / Western Gateway Construction Projects, Series 2002

The Building Authority Debt Service Fund also accounts for annual "rental payments" received from *Herrick District Library* (a separate jurisdictional agency), and applied towards servicing maturity requirements on the following long-term debt obligations:

- Building Authority - Library Renovation/Expansion Project, Series 1997
- Building Authority - Library Renovation/Expansion Project, Series 1999

- - - FUND TYPE: CAPITAL PROJECTS FUNDS - - -

Capital Project Funds are governmental funds that account for financial resources designated for the acquisition or construction of major capital facilities (other than those projects that are financed by proprietary funds).

FINANCIAL PRESENTATION OF THE FOLLOWING FUND CAN BE FOUND IN:

- o **BASIC FINANCIAL STATEMENTS:**
 - > **GOVERNMENTAL FUNDS STATEMENTS - "FACILITIES & LAND IMPROVEMENTS" COLUMN**
(INDIVIDUAL FUND PRESENTATION)
- o **COMBINING STATEMENTS:**
 - > **NOT PRESENTED IN COMBINING STATEMENTS**

MUNICIPAL FACILITIES & LAND IMPROVEMENT CAPITAL PROJECTS FUNDS

(Financial Reporting Classification: A Major Governmental Fund)

Throughout the fiscal year, several non-infrastructure capital projects were financially administered in individual municipal capital projects funds. Financing for individual projects is derived primarily from operating transfers from other funds, grant funding, private sector donations, etc.

Each project is budgeted and accounted for as multi-fiscal year to encompass revenues and expenditures that span the entire open period of the specific project from inception-to-completion. However, project revenues and expenditures are also recognized by individual fiscal year for annual financial reporting purposes.

The following listing reflects such projects with financial activity during the fiscal year:

- - - FUND TYPE: CAPITAL PROJECTS FUNDS - - -
(continued)

FACILITIES AND LAND IMPROVEMENT
CAPITAL PROJECTS DETAIL LISTING

CEMETERIES:

- Pilgrim Home Cemetery and Graafschap Cemetery:
 - > Irrigation System Enhancements

PARKS, RECREATION, AND LEISURE SERVICES:

- Kollen Park:
 - > Implementation of Phased Renovations & Improvements, Per Master Plan
 - > Lakefront Boardwalk (fronting H.J. Heinz Company)
- Neighborhood Parks:
 - > Joint City/School Recreation Areas – Enhancements Into Multi-Use Facilities
 - > Joseph Moran Park – Major Maintenance/Enhancement to Public Restroom
 - > Smallenburg Park – Children's Playground
 - > Smallenburg Park – Watershed Project
 - > South End Park – Development of New Neighborhood Park in Recently Annexed Area of City
- Van Raalte Farm:
 - > House & Barn Maintenance and Improvements
 - > Various Other Property Enhancements
- Western Gateway:
 - > Farmers' Market Canopy, Public Parking, and Aesthetic Improvements
- Parks & Recreation Facilities:
 - > Update to Parks & Recreation Five-Year Master Plan

PUBLIC SAFETY:

- Police Department:
 - > Construction of New Police Station Facility
- Fire Department:
 - > Construction of new Virginia Park Fire Station (Joint Project With Adjacent Township)
- Emergency Preparedness
 - > Siren System Replacement

TRANSPORTATION SERVICES:

- Street Dept Warehouse / Centralized Motor Pool:
 - > Construction of New Transportation Services Facility

ALL OTHER MUNICIPAL PROJECTS & PROGRAMS:

- All City Facilities:
 - > Update to Parks & Recreation Five-Year Master Plan
- Ourstreet Program:
 - > Funding Assistance for Home Repairs/Replacements in Central City Area
- Historic District:
 - > Acquisition & Installation of Signage Indicating District Area
- Parks & Cemeteries Warehouse:
 - > Mobile Radio/Antenna System

- - - FUND TYPE: CAPITAL PROJECTS FUNDS - - -
(continued)

FINANCIAL PRESENTATION OF THE FOLLOWING FUND CAN BE FOUND IN:

- o **BASIC FINANCIAL STATEMENTS:**
 - > **GOVERNMENTAL FUNDS STATEMENTS - "INFRASTRUCTURE PROJECTS" COLUMN**
(INDIVIDUAL FUND PRESENTATION)
 - o **COMBINING STATEMENTS:**
 - > **NOT PRESENTED IN COMBINING STATEMENTS**
-

INFRASTRUCTURE CAPITAL PROJECTS FUND

Throughout the fiscal year, several infrastructure capital projects were financially administered in individual capital projects funds. Financing for individual projects is derived primarily from operating transfers from other funds, special assessments, grant funding, etc.

Each project is budgeted and accounted for as multi-fiscal year to encompass revenues and expenditures that span the entire open period of the specific project from inception-to-completion. However, project revenues and expenditures are also recognized by individual fiscal year for annual financial reporting purposes.

**I N F R A S T R U C T U R E
C A P I T A L P R O J E C T S D E T A I L L I S T I N G**

STREET DEVELOPMENT AND/OR REDEVELOPMENT PROJECTS:

- 14th Street, from River Avenue to Fairbanks Avenue:
 - > total street reconstruction, to include replacement of utilities
- 15th Street, from Cleveland Avenue to River Avenue:
 - > total street reconstruction, to include replacement of utilities
(additional note: this project includes state funding assistance)
- 40th Street , from Washington Avenue to Graafschap Road:
 - > total street reconstruction, to include replacement of utilities
- Fairbanks Avenue, from 8th Street to 16th Street:
 - > total street reconstruction, to include replacement of utilities
- Washington Avenue, from 64th Street to Geurink Avenue:
 - > major redevelopment to include new tunnel, to include new utilities
- Downtown Area Streets:
 - > 7th Street Extension, from Pine Avenue to West 8th Street
 - > totally new street, to include utilities
 - > 8th Street, from Pine Avenue to West 8th Street
 - > street improvements, to include snowmelt utility
 - > Pine Avenue, from 7th Street to 9th Street
 - > street reconstruction, to include replacement of certain utilities and partial snowmelt utility
 - > Pine Avenue, from 7th Street to River Avenue Bridge
 - > total street reconstruction, to include replacement of utilities
 - > River Avenue, from 7th Street to River Avenue Bridge
 - > total street reconstruction, to include replacement of utilities
- Kensington Drive (a new street in recently annexed area located on south side of City):
 - > new developed street, to include new utilities (to serve a new neighborhood development)

- - - FUND TYPE: CAPITAL PROJECTS FUNDS - - -
(continued)

INFRASTRUCTURE
CAPITAL PROJECTS DETAIL LISTING
(continued from previous page)

BRIDGE CONSTRUCTION AND/OR REPLACEMENTS:

- River Avenue Bridge
 - > total reconstruction with additional lanes and pedestrian/bicycle paths
 - (additional notes: - Joint project with County of Ottawa Road Commission
 - Michigan Dept of Transportation funding assistance)

DRAIN PROJECTS

- Major Drain Projects:
 - > None
- Small Drain Projects:
 - > Various

TRAFFIC SIGNALIZATION PROJECTS

- Installation of New Signals or Upgrades to Existing Signals:
 - > Waverly Road @ Johnson Controls, Inc. Entrance
 - > Waverly Road @ 8th Street and 16th Street Intersections
 - > Pine Avenue @ 6th Street Intersection

RIGHT-OF-WAY LANDSCAPING PROJECTS

- Trees, Shrubbery, and Grass Plantings
 - > No Significant Projects

SIDEWALK PROJECTS

- Sidewalk Repair / Replacement:
 - > Designated Areas for Removal and Replacement:
 - Sidewalk Installation:
 - > Neighborhood Sidewalk Installation Program:
 - > Fill-In-The-Gap Sidewalk Installation Program:
-

- - - FUND TYPE: PERMANENT FUNDS - - -

Permanent Funds are governmental funds reporting upon legally restricted resources to the extent that only earnings, and not principal, may be used for purposes supporting the government's programs and benefit the citizenry.

FINANCIAL PRESENTATION OF THE FOLLOWING FUND CAN BE FOUND IN:

o ***BASIC FINANCIAL STATEMENTS:***

> ***GOVERNMENTAL FUNDS STATEMENTS - "OTHER GOVERNMENTAL FUNDS" COLUMN***
(CONSOLIDATED WITH SEVERAL OTHER NONMAJOR GOVERNMENTAL FUNDS)

o ***COMBINING STATEMENTS:***

> ***NONMAJOR GOVERNMENTAL FUND STATEMENT - "CEMETERY TRUST" COLUMN***
(INDIVIDUAL FUND PRESENTATION)

CEMETERY PERPETUAL CARE FUND

(Financial Reporting Classification: A NonMajor Governmental Fund)

As required by State of Michigan statutes, this fund provides financial accountability for revenues from the sale of perpetual care service, which is a one-time charge assessed to the purchaser of each cemetery lot. The revenues accumulate in this fund, with the cash balance being continuously invested. Investment earnings are credited to the General Fund to assist in defraying the cost of operating the Cemetery Department.

The principal within this fund is generally considered as non-expendable. However, there are exceptions by which legally appropriated amounts may be transferred to Capital Projects that are specific to enhancements and/or development of municipal cemetery facilities.

CITY OF HOLLAND, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2004

	SPECIAL REVENUE FUNDS				
	MOTOR VEHICLE HIGHWAY		ALLEGAN	STREET	DOWNTOWN
	MAJOR	LOCAL	COUNTY	IMPROVEMENTS	
	STREET	STREET	ROAD TAX	RESERVE	OPERATIONS
<u>ASSETS</u>					
Cash and pooled investments	\$ 3,053,367	\$ -	\$ 880,131	\$ 810,196	\$ 487,700
Accounts receivable	418	2,468	-	-	-
Taxes receivable	-	-	-	-	-
Prepaid items	-	-	-	-	300
Due from other funds	1,131	2,571	-	-	61,108
Special assessments receivable	-	-	-	-	-
Due from other governmental units	353,583	101,182	-	-	-
Total assets	\$ 3,408,499	\$ 106,221	\$ 880,131	\$ 810,196	\$ 549,108
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES:					
Accounts payable	\$ 27,313	\$ 5,840	\$ -	\$ -	\$ 23,348
Accrued payroll and benefits	18,433	15,821	-	-	2,091
Earned employee compensated absences	-	-	-	-	2,500
Due to other funds	50,894	12,520	-	-	36,135
Due to other governmental units	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	96,640	34,181	-	-	64,074
FUND BALANCES:					
Reserved for:					
Capital projects	998,450	-	291,764	-	-
Unreserved:					
Undesignated	2,313,409	72,040	588,367	810,196	485,034
Total fund balances	3,311,859	72,040	880,131	810,196	485,034
Total liabilities and fund balances	\$ 3,408,499	\$ 106,221	\$ 880,131	\$ 810,196	\$ 549,108

Exhibit B-1

SPECIAL REVENUE FUNDS				
MISCELLANEOUS GOVERNMENTAL FUNCTIONS	PROPERTY AND IMPROVEMENT	PUBLIC SAFETY GRANTS	CULTURE AND COMMUNITY IMPROVEMENT	BUDGET STABILIZATION
\$ 485,177	\$ 107,627	\$ 76,007	\$ 52,182	\$ 1,872,659
51,344	-	100	6,800	-
-	-	-	2,390	-
-	-	-	-	-
-	-	-	-	-
140,447	-	-	-	-
-	33,221	47,670	233,947	-
<u>\$ 676,968</u>	<u>\$ 140,848</u>	<u>\$ 123,777</u>	<u>\$ 295,319</u>	<u>\$ 1,872,659</u>
\$ 21,768	\$ 7,418	\$ 4,194	\$ 59,045	\$ -
72	-	8,285	6,385	-
-	-	-	-	-
-	25,803	26,674	181,669	-
-	-	9,694	-	-
140,447	-	35,317	39,096	-
<u>162,287</u>	<u>33,221</u>	<u>84,164</u>	<u>286,195</u>	<u>-</u>
-	2,409,875	-	-	-
<u>514,681</u>	<u>(2,302,248)</u>	<u>39,613</u>	<u>9,124</u>	<u>1,872,659</u>
<u>514,681</u>	<u>107,627</u>	<u>39,613</u>	<u>9,124</u>	<u>1,872,659</u>
<u>\$ 676,968</u>	<u>\$ 140,848</u>	<u>\$ 123,777</u>	<u>\$ 295,319</u>	<u>\$ 1,872,659</u>

(Continued)

CITY OF HOLLAND, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2004
(CONCLUDED)

	DEBT SERVICE FUNDS			PERMANENT TRUST	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	GENERAL OBLIGATION DEBT	ACT 175 STREET DEBT	SPECIAL ASSESSMENT DEBT	CEMETERY TRUST	
<u>ASSETS</u>					
Cash and pooled investments	\$ -	\$ -	\$ 935,875	\$ 1,822,183	\$ 10,583,104
Accounts receivable	-	-	-	5,540	66,670
Taxes receivable	2,514	-	-	-	4,904
Prepaid items	-	-	-	-	300
Due from other funds	-	-	-	-	64,810
Special assessments receivable	-	-	1,766,282	-	1,906,729
Due from other governmental units	-	-	-	-	769,603
Total assets	\$ 2,514	\$ -	\$ 2,702,157	\$ 1,827,723	\$ 13,396,120
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 148,926
Accrued payroll and benefits	-	-	-	-	51,087
Earned employee compensated absences	-	-	-	-	2,500
Due to other funds	516	-	-	-	334,211
Due to other governmental units	-	-	-	-	9,694
Deferred revenue	-	-	1,766,282	-	1,981,142
Total liabilities	516	-	1,766,282	-	2,527,560
FUND BALANCES:					
Reserved for:					
Capital projects	-	-	-	1,827,723	5,527,812
Unreserved:					
Undesignated	1,998	-	935,875	-	5,340,748
Total fund balances	1,998	-	935,875	1,827,723	10,868,560
Total liabilities and fund balances	\$ 2,514	\$ -	\$ 2,702,157	\$ 1,827,723	\$ 13,396,120

(Concluded)

CITY OF HOLLAND, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2004

	SPECIAL REVENUE FUNDS				
	MOTOR VEHICLE HIGHWAY		ALLEGAN COUNTY ROAD TAX	STREET IMPROVEMENTS RESERVE	DOWNTOWN OPERATIONS
	MAJOR STREET	LOCAL STREET			
REVENUES:					
Special assessments	\$ -	\$ -	\$ -	\$ -	\$ 253,539
Property taxes	-	-	-	1,084,946	-
Intergovernmental	2,270,655	595,356	392,145	-	-
Charges for services	27,982	33,957	-	-	3,516
Contributions from private sector	-	-	-	-	5,250
Interest and rents	8,600	-	3,577	3,554	1,866
Miscellaneous	-	-	-	-	-
Total revenues	2,307,237	629,313	395,722	1,088,500	264,171
EXPENDITURES:					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	946,213	905,309	-	-	-
Culture and recreation	-	-	-	-	235,082
Capital outlay	-	-	-	-	-
Debt services					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	1,431
Total expenditures	946,213	905,309	-	-	236,513
Excess (deficiency) of revenues over expenditures	1,361,024	(275,996)	395,722	1,088,500	27,658
OTHER FINANCING SOURCES (USES):					
Transfers in	647,394	287,577	-	-	16,300
Transfers out	(1,295,882)	(24,082)	(348,905)	(710,203)	(14,204)
Total other financing sources (uses)	(648,488)	263,495	(348,905)	(710,203)	2,096
NET CHANGE IN FUND BALANCES	712,536	(12,501)	46,817	378,297	29,754
FUND BALANCE - Beginning of year	2,599,323	84,541	833,314	431,899	455,280
FUND BALANCE - End of year	\$ 3,311,859	\$ 72,040	\$ 880,131	\$ 810,196	\$ 485,034

SPECIAL REVENUE FUNDS

MISCELLANEOUS GOVERNMENTAL FUNCTIONS	PROPERTY IMPROVEMENT	PUBLIC SAFETY GRANTS	CULTURE AND COMMUNITY IMPROVEMENT	BUDGET STABILIZATION
\$ 34,274	\$ -	\$ -	\$ -	\$ -
37,356	108,453	-	1,477,346	-
-	38,608	187,412	586,457	-
8,737	10,811	-	1,200	-
80,062	484,033	10,416	200,548	-
13,715	10,184	726	161	-
-	-	-	12,311	-
371,121	652,089	198,554	2,278,023	-
406,024	85,039	-	-	-
-	-	251,422	-	-
-	-	-	-	-
-	-	-	2,278,505	-
61,383	-	54,971	-	-
-	-	-	-	-
-	-	-	-	-
467,407	85,039	306,393	2,278,505	-
(96,286)	567,050	(107,839)	(482)	-
121,984	8,337	103,923	18,910	-
(12,307)	(995,935)	(5,610)	(37,831)	-
109,677	(987,598)	98,313	(18,921)	-
13,391	(420,548)	(9,526)	(19,403)	-
501,290	528,175	49,139	28,527	1,872,659
\$ 514,681	\$ 107,627	\$ 39,613	\$ 9,124	\$ 1,872,659

(Continued)

CITY OF HOLLAND, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDSYEAR ENDED JUNE 30, 2004
(Concluded)

	DEBT SERVICE FUNDS			PERMANENT TRUST	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	GENERAL OBLIGATION DEBT	ACT 175 STREET DEBT	SPECIAL ASSESSMENT DEBT	CEMETERY TRUST	
REVENUES:					
Special assessments	\$ -	\$ -	\$ 320,884	\$ -	\$ 608,697
Property taxes	1,622,410	-	-	-	4,330,511
Intergovernmental	-	-	-	-	4,070,633
Charges for services	-	-	-	60,300	146,503
Contributions from private sector	-	-	-	-	780,309
Interest and rents	10,965	-	122,171	11,960	187,479
Miscellaneous	-	-	-	-	12,311
Total revenues	1,633,375	-	443,055	72,260	10,333,420
EXPENDITURES:					
Current					
General government	1,543,990	-	-	-	2,035,053
Public safety	-	-	-	-	251,422
Public works	-	-	-	-	1,851,522
Culture and recreation	-	-	-	-	2,513,587
Capital outlay	-	-	-	-	116,354
Debt services					
Principal retirement	62,500	520,000	231,975	-	814,475
Interest and fiscal charges	7,515	151,476	132,415	-	292,837
Total expenditures	1,614,005	671,476	364,390	-	7,875,250
Excess (deficiency) of revenues over expenditures	19,370	(671,476)	78,665	72,260	2,458,170
OTHER FINANCING SOURCES (USES):					
Transfers in	595,059	671,476	-	7,904	2,478,864
Transfers out	(671,476)	-	(31,984)	(11,002)	(4,159,421)
Total other financing sources (uses)	(76,417)	671,476	(31,984)	(3,098)	(1,680,557)
NET CHANGE IN FUND BALANCES	(57,047)	-	46,681	69,162	777,613
FUND BALANCE - Beginning of year	59,045	-	889,194	1,758,561	10,090,947
FUND BALANCE - End of year	\$ 1,998	\$ -	\$ 935,875	\$ 1,827,723	\$ 10,868,560

(Concluded)

CITY OF HOLLAND, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
MAJOR STREET

YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	1,935,400	2,206,100	2,270,655	64,555
Charges for services	25,000	25,000	27,982	2,982
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	56,600	44,900	8,600	(36,300)
Miscellaneous	-	-	-	-
Total revenues	2,017,000	2,276,000	2,307,237	31,237
EXPENDITURES:				
Current				
Personal services	456,030	435,610	372,164	63,446
Other services and charges	594,950	600,963	574,049	26,914
Capital outlay	-	-	-	-
Contingency	-	-	-	-
Total expenditures	1,050,980	1,036,573	946,213	90,360
Excess of revenues over expenditures	966,020	1,239,427	1,361,024	121,597
OTHER FINANCING SOURCES (USES):				
Transfers in	647,394	647,394	647,394	-
Transfers out	(2,444,392)	(2,426,594)	(1,295,882)	1,130,712
Total other financing sources (uses)	(1,796,998)	(1,779,200)	(648,488)	1,130,712
NET CHANGE IN FUND BALANCES	(830,978)	(539,773)	712,536	1,252,309
FUND BALANCE - Beginning of year	2,599,323	2,599,323	2,599,323	-
FUND BALANCE - End of year	\$ 1,768,345	\$ 2,059,550	\$ 3,311,859	\$ 1,252,309

CITY OF HOLLAND, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
LOCAL STREET

YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	539,826	577,000	595,356	18,356
Charges for services	44,000	36,500	33,957	(2,543)
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	583,826	613,500	629,313	15,813
EXPENDITURES:				
Current				
Personal services	494,905	488,467	450,070	38,397
Other services and charges	470,400	466,072	455,239	10,833
Capital outlay	-	-	-	-
Contingency	-	-	-	-
Total expenditures	965,305	954,539	905,309	49,230
Excess of revenues over expenditures	(381,479)	(341,039)	(275,996)	65,043
OTHER FINANCING SOURCES (USES):				
Transfers in	331,022	344,622	287,577	(57,045)
Transfers out	(24,083)	(24,083)	(24,082)	1
Total other financing sources (uses)	306,939	320,539	263,495	(57,044)
NET CHANGE IN FUND BALANCES	(74,540)	(20,500)	(12,501)	7,999
FUND BALANCE - Beginning of year	84,541	84,541	84,541	-
FUND BALANCE - End of year	\$ 10,001	\$ 64,041	\$ 72,040	\$ 7,999

CITY OF HOLLAND, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
ALLEGAN COUNTY ROAD TAX

YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	404,400	410,000	392,145	(17,855)
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	3,500	13,574	3,577	(9,997)
Miscellaneous	-	-	-	-
Total revenues	407,900	423,574	395,722	(27,852)
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	-	-	-	-
Capital outlay	-	-	-	-
Contingency	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	407,900	423,574	395,722	(27,852)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(1,152,324)	(1,238,904)	(348,905)	889,999
Total other financing sources (uses)	(1,152,324)	(1,238,904)	(348,905)	889,999
NET CHANGE IN FUND BALANCES	(744,424)	(815,330)	46,817	862,147
FUND BALANCE - Beginning of year	833,314	833,314	833,314	-
FUND BALANCE - End of year	\$ 88,890	\$ 17,984	\$ 880,131	\$ 862,147

CITY OF HOLLAND, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
STREET IMPROVEMENTS RESERVE

YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	1,087,695	1,083,063	1,084,946	1,883
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	13,300	17,049	3,554	(13,495)
Miscellaneous	-	-	-	-
Total revenues	1,100,995	1,100,112	1,088,500	(11,612)
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	-	3,461	-	3,461
Capital outlay	-	-	-	-
Contingency	-	-	-	-
Total expenditures	-	3,461	-	3,461
Excess of revenues over expenditures	1,100,995	1,096,651	1,088,500	(8,151)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(1,213,111)	(1,406,591)	(710,203)	696,388
Total other financing sources (uses)	(1,213,111)	(1,406,591)	(710,203)	696,388
NET CHANGE IN FUND BALANCES	(112,116)	(309,940)	378,297	688,237
FUND BALANCE - Beginning of year	431,899	431,899	431,899	-
FUND BALANCE - End of year	\$ 319,783	\$ 121,959	\$ 810,196	\$ 688,237

CITY OF HOLLAND, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
DOWNTOWN OPERATIONS

YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Special assessments	\$ 250,413	\$ 253,539	\$ 253,539	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	3,300	1,500	3,516	2,016
Fines and fees	-	-	-	-
Contributions from private sector	5,300	5,250	5,250	-
Investment earnings	14,500	7,095	1,866	(5,229)
Miscellaneous	-	-	-	-
Total revenues	273,513	267,384	264,171	(3,213)
EXPENDITURES:				
Current				
Personal services	34,500	33,350	34,282	(932)
Other services and charges	237,500	308,355	200,800	107,555
Capital outlay	-	-	-	-
Debt Services				
Interest and fiscal charges	2,968	1,431	1,431	-
Contingency	-	-	-	-
Total expenditures	274,968	343,136	236,513	106,623
Excess of revenues over expenditures	(1,455)	(75,752)	27,658	103,410
OTHER FINANCING SOURCES (USES):				
Transfers in	16,300	16,300	16,300	-
Transfers out	(13,448)	(14,204)	(14,204)	-
Total other financing sources (uses)	2,852	2,096	2,096	-
NET CHANGE IN FUND BALANCES	1,397	(73,656)	29,754	103,410
FUND BALANCE - Beginning of year	455,280	455,280	455,280	-
FUND BALANCE - End of year	\$ 456,677	\$ 381,624	\$ 485,034	\$ 103,410

CITY OF HOLLAND, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
MISCELLANEOUS GOVERNMENTAL FUNCTIONS

YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Special assessments	\$ 25,500	\$ 33,185	\$ 34,274	\$ 1,089
Property taxes	-	37,356	37,356	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	(15,100)	8,675	8,737	62
Fines and fees	190,600	192,200	196,977	4,777
Contributions from private sector	-	79,562	80,062	500
Investment earnings	12,025	16,297	13,715	(2,582)
Miscellaneous	-	-	-	-
Total revenues	213,025	367,275	371,121	3,846
EXPENDITURES:				
Current				
Personal services	4,310	4,310	3,900	410
Other services and charges	324,480	419,296	402,124	17,172
Capital outlay	74,440	132,536	61,383	71,153
Contingency	-	-	-	-
Total expenditures	403,230	556,142	467,407	88,735
Excess of revenues over expenditures	(190,205)	(188,867)	(96,286)	92,581
OTHER FINANCING SOURCES (USES):				
Transfers in	101,720	121,833	121,984	151
Transfers out	-	(128,496)	(12,307)	116,189
Total other financing sources (uses)	101,720	(6,663)	109,677	116,340
NET CHANGE IN FUND BALANCES	(88,485)	(195,530)	13,391	208,921
FUND BALANCE - Beginning of year	501,290	501,290	501,290	-
FUND BALANCE - End of year	\$ 412,805	\$ 305,760	\$ 514,681	\$ 208,921

CITY OF HOLLAND, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
PROPERTY IMPROVEMENT

YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	108,769	108,265	108,453	188
Licenses and permits	-	-	-	-
Intergovernmental	600,060	600,184	38,608	(561,576)
Charges for services	(1,000)	10,687	10,811	124
Fines and fees	-	-	-	-
Contributions from private sector	440,000	583,800	484,033	(99,767)
Investment earnings	9,200	8,075	10,184	2,109
Miscellaneous	-	-	-	-
Total revenues	1,157,029	1,311,011	652,089	(658,922)
EXPENDITURES:				
Current				
Personal services	500	1,637	87	1,550
Other services and charges	607,740	653,310	84,952	568,358
Capital outlay	16,200	-	-	-
Contingency	-	-	-	-
Total expenditures	624,440	654,947	85,039	569,908
Excess of revenues over expenditures	532,589	656,064	567,050	(89,014)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	(3,982)	8,337	12,319
Transfers out	(929,050)	(1,002,224)	(995,935)	6,289
Total other financing sources (uses)	(929,050)	(1,006,206)	(987,598)	18,608
NET CHANGE IN FUND BALANCES	(396,461)	(350,142)	(420,548)	(70,406)
FUND BALANCE - Beginning of year	528,175	528,175	528,175	-
FUND BALANCE - End of year	\$ 131,714	\$ 178,033	\$ 107,627	\$ (70,406)

CITY OF HOLLAND, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
PUBLIC SAFETY GRANTS

YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	221,319	356,416	187,412	(169,004)
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	10,000	8,100	10,416	2,316
Investment earnings	200	349	726	377
Miscellaneous	-	-	-	-
Total revenues	231,519	364,865	198,554	(166,311)
EXPENDITURES:				
Current				
Personal services	299,718	354,570	207,458	147,112
Other services and charges	41,120	96,450	43,964	52,486
Capital outlay	59,378	94,567	54,971	39,596
Contingency	-	-	-	-
Total expenditures	400,216	545,587	306,393	239,194
Excess of revenues over expenditures	(168,697)	(180,722)	(107,839)	72,883
OTHER FINANCING SOURCES (USES):				
Transfers in	143,865	159,200	103,923	(55,277)
Transfers out	-	(5,610)	(5,610)	-
Total other financing sources (uses)	143,865	153,590	98,313	(55,277)
NET CHANGE IN FUND BALANCES	(24,832)	(27,132)	(9,526)	17,606
FUND BALANCE - Beginning of year	49,139	49,139	49,139	-
FUND BALANCE (DEFICIT) - End of year	\$ 24,307	\$ 22,007	\$ 39,613	\$ 17,606

CITY OF HOLLAND, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
CULTURE AND COMMUNITY IMPROVEMENT

YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	1,476,981	1,476,571	1,477,346	775
Licenses and permits	-	-	-	-
Intergovernmental	793,664	1,235,572	586,457	(649,115)
Charges for services	2,000	1,200	1,200	-
Fines and fees	-	-	-	-
Contributions from private sector	201,077	237,388	200,548	(36,840)
Investment earnings	785	520	161	(359)
Miscellaneous	(6,765)	12,311	12,311	-
Total revenues	2,467,742	2,963,562	2,278,023	(685,539)
EXPENDITURES:				
Current				
Personal services	169,884	273,290	129,712	143,578
Other services and charges	2,525,392	2,933,650	2,148,793	784,857
Capital outlay	-	-	-	-
Debt Services				
Interest and fiscal charges	-	-	-	-
Contingency	-	-	-	-
Total expenditures	2,695,276	3,206,940	2,278,505	928,435
Excess of revenues over expenditures	(227,534)	(243,378)	(482)	242,896
OTHER FINANCING SOURCES (USES):				
Transfers in	18,910	18,910	18,910	-
Transfers out	(18,910)	(54,888)	(37,831)	17,057
Total other financing sources (uses)	-	(35,978)	(18,921)	17,057
NET CHANGE IN FUND BALANCES	(227,534)	(279,356)	(19,403)	259,953
FUND BALANCE (DEFICIT) - Beginning of year	28,527	28,527	28,527	-
FUND BALANCE (DEFICIT) - End of year	\$ (199,007)	\$ (250,829)	\$ 9,124	\$ 259,953

CITY OF HOLLAND, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
BUDGET STABILIZATION

YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	-	-	-
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	-	-	-	-
Capital outlay	-	-	-	-
Contingency	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCE - Beginning of year	1,872,659	1,872,659	1,872,659	-
Equity transfer in	-	-	-	-
FUND BALANCE - End of year	\$ 1,872,659	\$ 1,872,659	\$ 1,872,659	\$ -

- - - FUND TYPE: ENTERPRISE FUNDS - - -

Enterprise Funds are proprietary funds that account for operations (a) financed and operated in a manner similar to private-sector business entities - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FINANCIAL PRESENTATION OF THE FOLLOWING THREE FUNDS CAN BE FOUND IN:

o **BASIC FINANCIAL STATEMENTS:**

> **PROPRIETARY FUNDS STATEMENTS - "UTILITY" FUND COLUMNS**
(INDIVIDUAL FUNDS PRESENTATION)

o **COMBINING STATEMENTS:**

> **NOT PRESENTED IN COMBINING STATEMENTS**

ELECTRIC UTILITY FUND

(Financial Reporting Classification: A Major Enterprise Fund)

Mandated by chapter 12 of the City Charter, the Electric Utility Fund provides financial accountability for a municipally-owned electric generating facility and distribution system that supplies electrical power to residential, commercial, industrial, and other users. The City has entered into agreements with several of the surrounding governmental jurisdictions to supply electrical power to various residential, commercial, and industrial areas outside of the City.

By way of a Joint Venture with the Michigan Public Power Agency, contractual arrangements have been adopted with other electric generating companies and authorities for the purchase of additional electricity to meet anticipated local requirements into future years, and also to sell excess electrical capacity generated locally.

This utility is managed and operated by a *Board of Public Works* appointed by and responsible to the City Council.

WASTEWATER UTILITY FUND

(Financial Reporting Classification: A Major Enterprise Fund)

The Wastewater Utility Fund provides financial accountability for a municipally-owned sewage treatment facility and collection system that services residential, commercial, industrial, and other users within the City of Holland.

In 1979, a joint agreement was established between the City of Holland and surrounding townships to expand the sewage treatment plant, and provide sewage collection services to an expanded area. In 1994 and 1995 these same governing units took action to construct another large expansion of the treatment plant capacity to service the ever-increasing volumes of sewage treatment requirements.

Because the City of Holland retains significant control within the governing body of the system, together with responsibility for system operations, the Wastewater Utility Fund is accounted and reported as an entity of the City.

This utility is managed and operated by a *Board of Public Works* appointed by the City Council.

WATER UTILITY FUND

(Financial Reporting Classification: A Major Enterprise Fund)

Mandated by chapter 12 of the Holland City Charter, the Water Utility Fund provides financial accountability for a municipally-owned water treatment facility and distribution system that supplies water – drawn from Lake Michigan and treated for cleanliness – to residential, commercial, industrial, and other users within the City of Holland.

The City of Holland has entered into joint agreements with several of the surrounding governmental jurisdictions for the sale and distribution of water to various areas outside of the City.

This utility is managed and operated by a *Board of Public Works* appointed by the City Council.

- - - FUND TYPE: ENTERPRISE FUNDS - - -
(continued)

FINANCIAL PRESENTATION OF THE FOLLOWING FIVE FUNDS CAN BE FOUND IN:

- o **BASIC FINANCIAL STATEMENTS:**
 - > **PROPRIETARY FUNDS STATEMENTS - "OTHER ENTERPRISE FUNDS" COLUMN**
(CONSOLIDATED PRESENTATION)
- o **COMBINING STATEMENTS:**
 - > **NONMAJOR ENTERPRISE FUNDS STATEMENTS - INDIVIDUAL FUND COLUMNS**
(INDIVIDUAL FUNDS PRESENTATION)

REFUSE AND RECYCLING PICKUP FUND

(Financial Reporting Classification: A NonMajor Enterprise Fund)

Since 1992, the City of Holland has administered a mandatory refuse and recycling pickup program for all single family residences, as well as multi-family residences of up to four family units. Housing units of greater than four-family are currently not included in this program; nor is the business community. The entire pickup and hauling operation is contracted to one private sector hauler, with options for extension if both parties agree. Administration, billing and collection functions are performed by the City; with payment made to the hauling firm at the conclusion of each month.

At the present time, slightly less than 8,500 residences are customers of this service. Each residence is provided the choice of using either refuse bags or one of three sizes of municipally-owned refuse containers. A recycling container is provided to each residential customer.

This fund also separately accounts for the financing of a semi-annual program sponsored by the City, referred to as *Project Pride*. This program provides residents opportunity to dispose of unwanted scrap household items (such as old refrigerators, stoves, furniture, etc) as well as hazardous household waste items (such as old paint, turpentine, or various chemical items).

WINDMILL ISLAND FUND

(Financial Reporting Classification: A NonMajor Enterprise Fund)

Since 1964, the City of Holland has owned and operated a public tourist attraction referred to as Windmill Island that exhibits an imported authentic operating windmill from *The Netherlands*, along with other authentic Dutch buildings and facilities. This attraction remains open approximately six months from May thru October, providing visitors with an authentic re-creation of picturesque structures, architectures and landscaping similar to that found in *The Netherlands* approximately 100 to 200 years earlier.

Windmill Island operates primarily from a revenue base of admission fees, concession fees, and other miscellaneous revenues, together with annual General Fund operating transfers to subsidize of operating deficits. The fund provides financial accountability of this operation, to include revenues, expenses, capital outlays, and balance sheet items.

In 1988, revenue bonds were issued to finance additional landscaping, walkways, and viewpoints. Final serial maturity of this issue was May 2003, thereby eliminating the remaining balance of bonded debt for this fund.

For the longer-term, management continues to study ideas and concepts regarding the most feasible and prudent uses for Windmill Island.

DEPOT OPERATIONS FUND

(Financial Reporting Classification: A NonMajor Enterprise Fund)

The City of Holland owns and operates a renovated railroad depot located on the main street of the downtown area. This depot facility, referred to as the *Holland Transportation Center*, became operational in 1992 providing:

- a passenger loading / unloading stop for Amtrack Railroad, Greyhound Bus, and MAX local bus system
- administrative offices - for the local *Tourist Bureau / Tulip Time Festival*.

This fund provides financial accountability for routine expenses related to operating, maintenance, and security of the facility. Financing is received primarily from office and building space rentals, together with operating transfers from other City funds.

- - - FUND TYPE: ENTERPRISE FUNDS - - -
(continued)

MUNICIPAL AIRPORT FUND

(Financial Reporting Classification: A NonMajor Enterprise Fund)

Since 1986, the City of Holland has owned and operated the Tulip City Airport. The initial purchase and major enhancements to the airport have been financed primarily by grants from the *Federal Aviation Administration* and the *Michigan Bureau of Aeronautics*, along with several contributions from the private sector. Per requirements of a City Charter amendment, no local tax dollars may be used for airport purposes without specific voter approval.

This fund provides financial accountability for certain operational and maintenance expenses of the airport facility. Revenues are generated as a result of contractual agreements for uses and privileges at the airport. An annual franchise fee is paid to this fund by a *Fixed Base Operator (FBO)*, a private sector company that is given authorization by the City to manage and operate the airport. In exchange for the franchise fee, the FBO retains the profits from various airport operations, such as aircraft maintenance, flight training, charter flights, aircraft storage, gasoline sales, etc. Other revenue sources to the fund include T-Hanger leases, private hanger land-leases, and agricultural land-leases.

The *Michigan Bureau of Aeronautics* administers and provides financial oversight/accounting of major capital acquisitions and improvements to the airport. However, this fund does reflect total capital assets and contributed equity for acquisitions and major improvements.

Two long-term *Installment Purchase Obligation* debt instruments have been issued through a local area bank to provide financing for construction of three T-Hanger buildings (for smaller-sized aircraft). This debt is serviced from monthly rentals received from users of the T-Hanger facilities.

MACATAWA AREA PUBLIC TRANSIT SYSTEM FUND

(Financial Reporting Classification: A NonMajor Enterprise Fund)

The City of Holland, together with the neighboring municipalities of Holland Charter Township and City of Zeeland, have entered into a joint agreement to provide public busing transportation services. This system is officially titled the *Macatawa Area Express System* ("MAX" = short-name).

The "MAX" serves the citizens of these communities with both a fixed-route bus system, as well as a demand-response personalized system. The system is meant to benefit all local area citizens, but especially seniors, handicapped, and low-income people for whom local mobility would otherwise be impeded or near impossible.

In October 1991, the greater Holland area was designated an "urbanized area" as defined by the federal census standards. Along with this designation, the City of Holland's demand-response transportation system was changed to an "Urban Transit System", resulting in a change in federal funding from Section 18 to Section 9. This has further resulted in a rather major change in the funding formula for operations and the manner in which buses are acquired.

Daily administration and operations is contracted to a private sector firm to perform this function, including routine management, dispatching, and hiring & supervision of drivers.

The program is heavily subsidized by federal & state assistance grants, together with local property taxation. Passenger fares, which are established by the City Council, generate a smaller portion of the fund's total revenues.

CITY OF HOLLAND, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS

JUNE 30, 2004

	REFUSE AND RECYCLING PICKUP	WINDMILL ISLAND	DEPOT OPERATIONS	MUNICIPAL AIRPORT	MACATAWA AREA PUBLIC TRANSIT SYSTEM	TOTAL
ASSETS						
CURRENT ASSETS:						
Cash and pooled investments	\$ 168,952	\$ 47,896	\$ 9,547	\$ 186,633	\$ -	\$ 413,028
Accounts receivable	115,778	8,626	-	4,220	27,486	156,110
Taxes and special assessments receivable	-	-	-	-	365	365
Prepaid items	-	-	-	-	-	-
Due from other governmental units	-	-	-	17,410	805,644	823,054
Total current assets	284,730	56,522	9,547	208,263	833,495	1,392,557
NONCURRENT ASSETS						
Restricted assets						
Cash and pooled investments	330,636	216,541	-	-	941,651	1,488,828
Capital assets						
Land	-	87,709	291,300	4,798,502	-	5,177,511
Machinery and equipment	415,016	1,726,497	2,213,994	10,092,579	2,825,561	17,273,647
Accumulated depreciation	(199,188)	(1,017,795)	(762,054)	(4,854,636)	(1,096,522)	(7,730,195)
Total capital assets	215,828	796,411	1,743,240	10,236,445	1,729,039	14,720,963
Total Noncurrent assets	546,464	1,012,952	1,743,240	10,236,445	2,670,690	16,209,791
Total assets	831,194	1,069,474	1,752,787	10,444,708	3,504,185	17,602,348
LIABILITIES						
CURRENT LIABILITIES:						
Accounts payable	105,967	23,945	2,515	3,231	299,908	435,566
Accrued payroll and benefits	1,902	22,410	320	-	9,942	34,574
Earned employee compensated absences	-	8,896	-	-	5,368	14,264
Due to other funds	78,834	1,271	1,773	83	96,155	178,116
Deferred revenue	-	-	4,940	-	-	4,940
Bonds and lease purchases payable - Current	-	-	-	38,277	-	38,277
Total current liabilities	186,703	56,522	9,548	41,591	411,373	705,737
NONCURRENT LIABILITIES:						
Bonds payable and lease purchases payable	-	-	-	70,000	-	70,000
Total liabilities	186,703	56,522	9,548	111,591	411,373	775,737
NET ASSETS:						
Invested in capital assets, net of related debt	215,828	796,411	1,743,239	10,128,168	1,729,039	14,612,685
Restricted	330,636	216,541	-	-	941,651	1,488,828
Unrestricted	98,027	-	-	204,949	422,122	725,098
Total net assets	\$ 644,491	\$ 1,012,952	\$ 1,743,239	\$ 10,333,117	\$ 3,092,812	\$ 16,826,611

CITY OF HOLLAND, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2004

	REFUSE AND RECYCLING PICKUP	WINDMILL ISLAND	DEPOT OPERATIONS	MUNICIPAL AIRPORT
OPERATING REVENUES				
Admissions and fares	\$ -	\$ -	\$ -	\$ -
Use fees and charges for services	1,063,097	342,558	-	22,532
Rentals	-	-	34,751	116,301
Total operating revenues	1,063,097	342,558	34,751	138,833
OPERATING EXPENSES:				
Personal services	93,938	332,601	9,509	-
Other current expenses	1,022,902	199,897	51,650	63,937
Depreciation	47,752	52,194	81,261	407,527
Total operating expenses	1,164,592	584,692	142,420	471,464
OPERATING INCOME (LOSS)	(101,495)	(242,134)	(107,669)	(332,631)
NONOPERATING REVENUES (EXPENSES):				
Property taxes	-	-	-	-
Federal and/or state grants	-	-	-	1,009,093
Miscellaneous private donations	3,469	-	-	180
Investment earnings	2,990	2,194	-	928
Interest expense	-	-	-	(10,669)
Gain (loss) on disposal of capital assets	(1,599)	(1,233)	-	-
Total nonoperating revenues (expenses)	4,860	961	-	999,532
INCOME (LOSS) - Before transfers	(96,635)	(241,173)	(107,669)	666,901
TRANSFERS:				
Transfers in	-	188,729	26,408	4,936
Transfers out	-	-	-	(29,158)
Net transfers in (out)	-	188,729	26,408	(24,222)
CHANGES IN NET ASSETS	(96,635)	(52,444)	(81,261)	642,679
NET ASSETS - Beginning of year	741,126	1,065,396	1,824,500	9,690,438
NET ASSETS - End of year	\$ 644,491	\$ 1,012,952	\$ 1,743,239	\$ 10,333,117

(Continued)

Exhibit C-2

MACATAWA AREA PUBLIC TRANSIT SYSTEM		TOTAL	
\$	151,795	\$	151,795
	155,287		1,583,474
	-		151,052
	307,082		1,886,321
	203,810		639,858
	1,938,738		3,277,124
	274,645		863,379
	2,417,193		4,780,361
	(2,110,111)		(2,894,040)
	217,306		217,306
	1,797,985		2,807,078
	400		4,049
	15,886		21,998
	-		(10,669)
	-		(2,832)
	2,031,577		3,036,930
	(78,534)		142,890
	-		220,073
	(3,700)		(32,858)
	(3,700)		187,215
	(82,234)		330,105
	3,175,046		16,496,506
\$	3,092,812	\$	16,826,611

(Concluded)

CITY OF HOLLAND, MICHIGAN
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 YEAR ENDED JUNE 30, 2004

	REFUSE AND RECYCLING PICKUP	WINDMILL ISLAND	DEPOT OPERATIONS	MUNICIPAL AIRPORT	MACATAWA AREA PUBLIC TRANSIT SYSTEM	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and users	\$ 1,067,912	\$ 344,418	\$ 35,170	\$ 138,305	\$ 288,170	\$ 1,873,975
Payments to suppliers	(1,055,556)	(196,463)	(56,087)	(174,155)	(1,802,608)	(3,284,869)
Payments to employees	(92,898)	(325,452)	(9,626)	(136)	(200,328)	(828,440)
Net cash provided by (used in) operating activities	(80,542)	(177,497)	(30,543)	(35,986)	(1,714,766)	(2,039,334)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Debt service	-	-	-	(48,669)	-	(48,669)
Purchase of capital assets	(50,972)	(122,788)	-	(999,464)	(132,222)	(1,305,446)
Net cash provided by (used in) capital and related financing activities	(50,972)	(122,788)	-	(1,048,133)	(132,222)	(1,354,115)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Property taxes	-	-	-	-	217,306	217,306
Federal and/or state grants	-	-	7,168	991,683	1,888,687	2,887,538
Miscellaneous private donations	3,469	-	-	180	400	4,049
Intergovernmental payments	-	-	-	(29,158)	(3,700)	(32,858)
Intergovernmental receipts	-	188,729	26,408	4,936	-	220,073
Net cash provided by (used in) noncapital and related financing activities	3,469	188,729	33,576	987,641	1,902,693	3,096,108
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from sales of investments	-	-	-	-	-	-
Investment earnings	2,990	2,194	-	928	15,886	21,998
Net cash provided by (used in) investing activities	2,990	2,194	-	928	15,886	21,998
NET INCREASE (DECREASE) IN CASH AND POOLED INVESTMENTS	(125,055)	(109,362)	3,033	(115,550)	71,591	(275,343)
CASH AND POOLED INVESTMENTS - Beginning of year	624,643	373,799	6,514	302,183	870,060	2,177,199
CASH AND POOLED INVESTMENTS - End of year	\$ 499,588	\$ 264,437	\$ 9,547	\$ 186,633	\$ 941,651	\$ 1,901,856
BALANCE SHEET CLASSIFICATIONS OF CASH AND POOLED INVESTMENTS:						
Current assets	\$ 168,952	\$ 47,896	\$ 9,547	\$ 186,633	\$ -	\$ 413,028
Restricted assets	330,636	216,541	-	-	941,651	1,488,828
TOTAL BALANCE SHEET CLASSIFICATION	\$ 499,588	\$ 264,437	\$ 9,547	\$ 186,633	\$ 941,651	\$ 1,901,856

(Continued)

CITY OF HOLLAND, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2004

(CONCLUDED)

	REFUSE AND RECYCLING PICKUP	WINDMILL ISLAND	DEPOT OPERATIONS	MUNICIPAL AIRPORT	MACATAWA AREA PUBLIC TRANSIT SYSTEM	TOTAL
Reconciliation of operating income to net cash provided (used)						
by operating activities:						
Operating income (loss)	\$ (101,495)	\$ (242,134)	\$ (107,669)	\$ (332,631)	\$ (2,110,111)	\$ (2,894,040)
Adjustment to reconcile operating income (loss)						
to net cash provided by (used in) operating activities:						
Depreciation	47,752	52,194	81,261	407,527	274,645	863,379
Changes in operating assets and liabilities:						
Accounts receivable	4,815	1,860	298	140	(18,824)	(11,711)
Taxes and special assessments receivable	-	-	-	-	(88)	(88)
Inventories	-	-	-	-	-	-
Prepaid items	-	2,061	-	-	-	2,061
Deferred revenue	-	-	121	(668)	-	(547)
Accounts payable	(35,330)	1,293	(4,487)	(110,152)	153,037	4,361
Accrued payroll and benefits	1,040	4,870	(117)	(138)	3,154	8,811
Earned employee compensated absences	-	2,279	-	-	328	2,607
Due to other funds	2,676	80	50	(66)	(16,907)	(14,187)
Net cash provided by (used in) operating activities	\$ (80,542)	\$ (177,497)	\$ (30,543)	\$ (35,986)	\$ (1,714,766)	\$ (2,039,334)

(Concluded)

- - - FUND TYPE: INTERNAL SERVICE FUNDS - - -

Internal Service Funds are used to account for the financing of services provided by one department or activity of the City to other departments or activities of the City; and/or to other governmental units on a cost-reimbursement basis.

Internal Service Funds are established, managed, and operated as a proprietary type operation, providing financial accountability for:

- > operating and non-operating revenues and expenses
 - > current assets, restricted assets, capital assets, liabilities, and fund equity
-

FINANCIAL PRESENTATION OF THE FOLLOWING FOUR ACTIVITIES CAN BE FOUND IN:

- o **BASIC FINANCIAL STATEMENTS:**
 - > **PROPRIETARY FUNDS STATEMENTS - "INTERNAL SERVICE FUNDS" COLUMN**
(CONSOLIDATED FUNDS PRESENTATION)
- o **COMBINING STATEMENTS:**
 - > **INTERNAL SERVICE FUNDS STATEMENTS - "TECHNOLOGY SERVICES" COLUMN**
(CONSOLIDATED FUNDS PRESENTATION)

TECHNOLOGY SERVICES

(Financial Reporting Classification: An Internal Services Fund)

The Technology Services Dept provides computer-processing capabilities to several departments and programs; and to a small extent, to other local area governmental units.

Functions of this department include assistance in purchasing commercial software systems; operational capabilities through local area networking, "servers", and "client" equipment to end-users such as PC's and remote printers, internet access, software training sessions, and assistance in tracking-down problems on individual "client" machines.

User service charges are based upon a combination of:

- accumulated amount of disk-access space used
- in-house staff time required to:
 - maintain a multiple server system and network system
 - maintain sufficient storage capability on the City's network system to accommodate all City users
 - maintain and service PC's located at individual workstations throughout the City departments
 - maintain functionality of various proprietary software programs loaded on computer center servers
 - develop & maintain an Internet capability, to include the City's website.
 - develop & maintain a G.I.S. system
- annual surcharges (assessed to all user departments) for the purpose of maintaining reserves for future new and/or replacement acquisitions.

PHOTOCOPY SERVICES

(Financial Reporting Classification: An Internal Services Fund)

Departments and offices of the City have access to various console and desktop photocopying equipment that serves most departmental photocopying requirements.

Much of the photocopy machinery is acquired through outright acquisition, or occasionally, through individual lease-purchase plans.

Per copy user fee rates are established with the intent to recover costs of photocopier paper, routine equipment maintenance, and provision for future equipment replacements.

- - - FUND TYPE: INTERNAL SERVICES FUNDS - - -
(continued)

POSTAGE SERVICES

(Financial Reporting Classification: An Internal Services Fund)

An automated postage meter machine provides centralized support services to all City Hall departments for U.S. Postal Service mailing purposes. Applicable postage rates are affixed to individual pieces of mail by the metered machine.

City departments are charged user fees based on actual usage, as captured by the metering device. User fees are intended to recover the costs of actual postage used, equipment maintenance, meter-box rental and operating supplies. User fees do not include any assessment for future equipment replacements.

COMMUNICATION SERVICES

(Financial Reporting Classification: An Internal Services Fund)

A networked telephone system, purchased in 1995 from *Ameritech, Inc.*, provides inter-connected voice communication services for most departments. Partial funding to purchase the system was derived from the available cash within this fund. But the largest portion of the purchase (and later upgrades) was financed by inter-fund loans that was repaid in monthly installments – with interest – over a number of fiscal years.

The system is designed to provide detail information regarding each individual call dialed out, length of each call, telephone number dialed, and cost. For processing of all outgoing long-distance calls, the City has entered into a contractual arrangement with the firm, *L.D.M.I.*

This fund also captures operating costs across all City departments for usage of cellular phone units, pager units, facsimile (fax) machines, as well as modems for computers and credit card validation machines.

Acquisition costs of the system is capitalized, and annual depreciation is recorded.

User fees to departments are designed to recover the costs of phone company flat rate charges, local call charges, long-distance call charges, and equipment maintenance. User fees also did include a surcharge to meet debt service requirements of the inter-fund loan .

FINANCIAL PRESENTATION OF THE FOLLOWING FOUR ACTIVITIES CAN BE FOUND IN:

- o **BASIC FINANCIAL STATEMENTS:**
 - > **PROPRIETARY FUNDS STATEMENTS - "INTERNAL SERVICE FUNDS" COLUMN**
(CONSOLIDATED FUNDS PRESENTATION)
- o **COMBINING STATEMENTS:**
 - > **INTERNAL SERVICE FUNDS STATEMENTS - "EQUIPMENT SERVICES" COLUMN**
(CONSOLIDATED FUNDS PRESENTATION)

ACT 51 STREET EQUIPMENT REVOLVING

(Financial Reporting Classification: An Internal Services Fund)

An *Equipment Revolving Fund* is mandated by State of Michigan Act 51 of 1951, as amended, to provide centralized services to programs and activities for streets, bridges, drainage structures, etc. Services include acquiring, maintaining, and operating a vehicle and equipment pool that is used to support construction and maintenance activities.

The Motor Vehicle Highway Major and Local Street Funds, along with other funds and outside users, pay user charges in the form of hourly equipment rental rate fees established each year by the Michigan Dept of Transportation (MDOT).

Rate charges are intended to recover the costs of fuel, maintenance, insurance, building rental & utilities, and to establish and maintain reserve funding for future new or replacement acquisitions. Further, reserve funding may also be appropriated towards partial support of major capital projects, such as Street Dept Warehouse building development and/or repair.

- - - FUND TYPE: INTERNAL SERVICE FUNDS - - -
(continued)

FUEL DISPENSING

(Financial Reporting Classification: An Internal Service Fund)

By formal agreement, the City of Holland and Holland Public School District share the operating, maintenance, and capital costs for underground storage tanks and automated fuel dispensing systems. The facility is located at the *Holland Public Schools' Transportation Center*.

This fund purchases the fuel for the underground storage tanks. Users (departments) are billed monthly for gasoline and diesel fuel, based upon computerized records of gallons of fuel dispensed. A per gallon rate is charged to users using a first-in first-out method. The per gallon rate is also meant to recover administrative costs and a future replacement cost for underground tanks and equipment.

This arrangement between the City and School is determined to not be a joint-venture operation, as defined in Governmental Accounting Standards Board (GASB) Statement No. 14.

GENERAL MOTOR POOL

(Financial Reporting Classification: An Internal Service Fund)

A central motor pool of designated vehicles and equipment items provides support service for several departments. This fund provides financial accountability for the acquisitions, maintenance, and operations of the pool.

Departments with assigned vehicles and equipment are assessed an annual charge for each individual vehicle or piece of equipment, taking into account all relevant costs associated with the vehicle or equipment. In addition, the pool provides a "mini pool" of unassigned vehicles available for sign-out by any department, and a usage charge equating to mileage driven by the City's current authorized mileage rate (which mimics the mileage rate allowed by the IRS Code for federal income tax deduction).

User charges are intended to recover the costs of fuel, maintenance, insurance, and to somewhat systematically set aside reserves for future new or replacement acquisitions.

By budget authorization, some of the reserves may also be used to assist with defraying the costs to develop a new centralized motor pool facility.

FIRE VEHICLES & EQUIPMENT POOL

(Financial Reporting Classification: An Internal Service Fund)

The Fire Vehicle and Equipment Pool provides a centralized vehicle and equipment support service for the Holland Fire Department. This fund provides financial accountability for cash reserves, for purchase of additional or replacement emergency vehicles, and for major renovations to emergency vehicles.

Primary financing for this fund is an annual operating transfer from the General Fund derived from a schedule – updated annually – projecting both short-term and long-term cash requirements. Other revenue sources may include *Sale of Existing Capital Assets* and *Investment Income*.

- - - FUND TYPE: INTERNAL SERVICE FUNDS - - -
(continued)

FINANCIAL PRESENTATION OF THE FOLLOWING SIX ACTIVITIES CAN BE FOUND IN:

- o **BASIC FINANCIAL STATEMENTS:**
 - > **PROPRIETARY FUNDS STATEMENTS - "INTERNAL SERVICE FUNDS" COLUMN**
(CONSOLIDATED FUNDS PRESENTATION)
- o **COMBINING STATEMENTS:**
 - > **INTERNAL SERVICE FUNDS STATEMENTS - "INSURANCE SERVICES" COLUMN**
(CONSOLIDATED FUNDS PRESENTATION)

WORKERS COMPENSATION

(Financial Reporting Classification: An Internal Service Fund)

The City of Holland provides workers compensation insurance coverage through a first-dollar coverage (no self-insured retention) commercial plan with *Accident Fund of Michigan*. Claims are administered by this carrier. The policy provides specific and aggregate coverage limits up to the maximum level requirements, per state statutes.

Revenues to this fund are generated primarily from internally-developed premium charges to various governmental and proprietary funds. Expenses of the fund include commercial insurance premiums on the current policy.

A small number of medical / indemnity claims of prior years have continued to linger (retroactive to a time the City's workers compensation coverage was partially self-insured). However, all such claims have reached the stop-loss limits of self-insured coverage, thereby transferring further claim payment burden to a commercial insurance carrier.

EMPLOYEE DISABILITY INCOME PROTECTION

(Financial Reporting Classification: An Internal Service Fund)

The City of Holland provides a short-term disability income protection coverage through a fully self-funded plan, with the City acting as the administrator. For a legitimate and certified disability, the plan provides for 65% of the employee's gross weekly income (up to \$900), but only after the employee's accumulated sick leave balance is exhausted and a minimum of 30 calendar days of disability has elapsed.

The 'short-term' disability coverage continues for up to a maximum of 48 weeks. A commercial long-term disability plan then provides continuation of coverage, providing 60% of the first \$10,000 of employee's monthly income, up to age 65. The commercial carrier for this plan administers disability claim cases.

Revenues to this fund are generated from internally-developed premium charges to various departments and funds. Expenses include disability income claims, as well as commercial insurance premiums for long-term income protection.

EMPLOYEE & RETIREE HEALTH / DENTAL

(Financial Reporting Classification: An Internal Service Fund)

Medical/dental insurance is provided for full-time employees and dependents, as well as for retirees, through a partially self-funded plan, with claims administration contracted out to *Blue Cross Blue Shield of Michigan* (BCBSM). A commercial policy with BCBSM provides specific stop-loss of \$75,000, and aggregate of approximately \$2,900,000.

Financial planning takes into consideration probable claims and potential worst case scenarios to assure adequate funding to meet medical and dental claims. Revenues to this fund are generated primarily from 'BCBSM Illustrative Rates', which form the basis for internal premium charges to departments and funds, to certain employees and retirees with required premium co-payments. Expenses include payments for claims, administrative claim-handling fees, and commercial insurance premiums for stop-loss (excess) coverage's. Various co-pays for certain claims are delineated.

As a standard for establishing internal premium rate structure for employer/employees/retirees for an ensuing calendar year, every attempt is made to maintain a fund balance reserve equivalent to approximately 25% of the new calendar year *Projected Aggregate Exposure*, as calculated. In this process, the 'Illustrative Rates' of BCBSM, together with the fund balance cash reserves as of the most recent June 30th is examined as a starting point. If the June 30 cash reserves balance exceeds 25% of the new calendar year *Projected Aggregate Exposure*, then the 'Illustrative Rates' may be adjusted downward to – in effect – reduce the reserve balance of the next June 30 date. However, if the June 30 cash reserves balance is less than 25% of the *Projected Aggregate Exposure*, then the 'Illustrative Rates' may be adjusted higher to – in effect – increase the reserve balance of the next June 30 date.

- - - FUND TYPE: INTERNAL SERVICE FUNDS - - -
(continued)

VEHICLE DAMAGE & LIABILITY

(Financial Reporting Classification: An Internal Service Fund)

The City of Holland partially self-insures for the cost of repairs or replacement to its damaged vehicles, other than fire emergency vehicles and Macatawa Area Express (MAX) public transportation system buses. Claims administration is handled internally by City staff, unless excess coverage or liability claims are involved. No commercial excess coverage is purchased for damages to City vehicles, with the exception of coverage for fire trucks and MAX public transportation system buses, for which a \$1,000 deductible threshold has been established.

A commercial policy provides aggregate coverage of up to \$2,000,000 for the remote possibility of an entire group of vehicles being simultaneously damaged in a single disaster. The same policy provides first dollar liability coverage for all personal injuries and for property damages to other parties, up to an occurrence and aggregate limitation of \$7,000,000

Revenues to this fund are generated primarily from internally-developed premium charges to various departments and funds. Expenses are primarily for self-retention vehicle damage claims, as well as commercial insurance premiums for stop-loss (excess) coverage's.

PROPERTY DAMAGE

(Financial Reporting Classification: An Internal Service Fund)

The City of Holland partially self-insures coverage for the cost of repairs or replacement to its damaged property (other than vehicles). Claims administration is handled internally, except when a claim for excess coverage would be involved. Commercial umbrella coverage is purchased for damages in excess of a \$100,000 retention, per occurrence. The commercial umbrella policies designate specific upper limits of coverage based upon the type of property line. Commercial excess coverage policies provide an aggregate coverage of approximately \$113,000,000 across all municipally-owned property (excluding the Electric Generating Plant and Municipal Airport Property, which are insured under a separate policies outside of this fund).

Revenues to this fund are generated primarily from internally-developed premium charges to various departments and funds. Expenses are primarily for self-retention property damage claims, as well as commercial insurance premiums for stop-loss (excess) coverage.

GENERAL LIABILITY & PROFESSIONAL LIABILITY

(Financial Reporting Classification: An Internal Service Fund)

The City of Holland partially self-insures coverage for the cost of General Liability claims against the City. Coverage's for *Public Officials Liability* and *Law Enforcement Liability* are also included in this fund. Administration of claims is handled by a contracted third-party administrator. Commercial insurance coverage is purchased for each individual claim occurrence that exceeds a self-funded retention of \$100,000. The commercial policies provide stop-loss protection at \$100,000 per individual occurrence and aggregate after \$500,000 of individual occurrences. The commercial policies provide *umbrella coverage* up to \$11,000,000 for each occurrence and \$11,000,000 aggregate.

Revenues to this fund are generated primarily from internally-developed premium charges to various departments and funds. Expenses are primarily for payment of liability claims of the general public related to injuries and/or damaged property resulting from administrative errors & omissions, faulty design, negligence, carelessness, etc. Expenses also include commercial insurance premiums for stop-loss (excess) coverage.

CITY OF HOLLAND, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

JUNE 30, 2004

<u>ASSETS</u>	<u>TECHNOLOGY SERVICES</u>	<u>EQUIPMENT SERVICES</u>	<u>INSURANCE SERVICES</u>	<u>TOTAL</u>
CURRENT ASSETS:				
Cash and pooled investments	\$ 392,749	\$ 2,640,720	\$ 2,749,332	\$ 5,782,801
Accounts receivable	5,329	4,284	45,697	55,310
Prepaid items	-	1,650	254,718	256,368
Inventories	6,672	14,226	-	20,898
Due from other funds	6,882	5,938	3,745	16,565
Total current assets	411,632	2,666,818	3,053,492	6,131,942
Capital assets				
Machinery and equipment	1,407,568	7,520,357	-	8,927,925
Accumulated depreciation	(957,252)	(3,684,199)	-	(4,641,451)
Total capital assets	450,316	3,836,158	-	4,286,474
Total assets	861,948	6,502,976	3,053,492	10,418,416
<u>LIABILITIES</u>				
CURRENT LIABILITIES:				
Accounts payable	14,318	63,655	63,723	141,696
Claims payable	-	-	351,000	351,000
Accrued payroll and benefits	18,552	20,745	4,836	44,133
Earned employee compensated absences	32,348	54,025	-	86,373
Due to other funds	417	-	280	697
Total liabilities	65,635	138,425	419,839	623,899
NET ASSETS:				
Invested in capital assets	450,316	3,836,158	-	4,286,474
Unrestricted	345,997	2,528,393	2,633,653	5,508,043
Total net assets	\$ 796,313	\$ 6,364,551	\$ 2,633,653	\$ 9,794,517

CITY OF HOLLAND, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2004

	TECHNOLOGY SERVICES	EQUIPMENT SERVICES	INSURANCE SERVICES	TOTAL
OPERATING REVENUES:				
Premiums	\$ -	\$ -	\$ 4,788,230	\$ 4,788,230
Charges for services	697,774	328,283	-	1,026,057
Rentals	-	1,371,186	-	1,371,186
Miscellaneous	-	758	67,004	67,762
Total operating revenues	697,774	1,700,227	4,855,234	7,253,235
OPERATING EXPENSES:				
Personal services	392,462	429,994	-	822,456
Other current expenses	262,710	786,904	4,990,732	6,040,346
Depreciation expense	167,082	521,270	-	688,352
Total operating expenses	822,254	1,738,168	4,990,732	7,551,154
OPERATING INCOME (LOSS)	(124,480)	(37,941)	(135,498)	(297,919)
NONOPERATING REVENUES (EXPENSES):				
Capital contributions	1	-	-	1
Investment earnings	1,643	14,178	11,573	27,394
Interest expense	-	-	-	-
Gain (loss) on disposal of capital assets	(8,614)	(15,514)	-	(24,128)
Total nonoperating revenues (expenses)	(6,970)	(1,336)	11,573	3,267
INCOME (LOSS) - Before transfers	(131,450)	(39,277)	(123,925)	(294,652)
TRANSFERS:				
Transfers in	18,322	100,000	-	118,322
Transfers out	-	(7,711)	(23,352)	(31,063)
Net transfers in (out)	18,322	92,289	(23,352)	87,259
CHANGE IN NET ASSETS	(113,128)	53,012	(147,277)	(207,393)
NET ASSETS - Beginning of year	909,441	6,311,539	2,780,930	10,001,910
NET ASSETS - End of year	\$ 796,313	\$ 6,364,551	\$ 2,633,653	\$ 9,794,517

CITY OF HOLLAND, MICHIGAN
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2004

	TECHNOLOGY SERVICES	EQUIPMENT SERVICES	INSURANCE SERVICES	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from interfund services provided	\$ 687,648	\$ 1,698,228	\$ 4,848,589	\$ 7,234,465
Payments to suppliers	(252,034)	(754,392)	(5,155,753)	(6,162,179)
Payments to employees	(401,411)	(432,161)	4,836	(828,736)
Net cash provided by (used in) operating activities	34,203	511,675	(302,328)	243,550
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of capital assets	-	-	-	-
Purchase of capital assets	(93,962)	(578,940)	-	(672,902)
Capital contributions	1	-	-	1
Net cash used in capital and related financing activities	(93,961)	(578,940)	-	(672,901)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:				
Intergovernmental payments	-	(7,711)	(23,352)	(31,063)
Intergovernmental receipts	18,322	100,000	-	118,322
Net cash provided by (used in) noncapital and related financing activities	18,322	92,289	(23,352)	87,259
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales of investments	-	-	-	-
Investment earnings	1,643	14,178	11,573	27,394
Net cash provided by (used in) investing activities	1,643	14,178	11,573	27,394
NET INCREASE (DECREASE) IN CASH AND POOLED INVESTMENTS	(39,793)	39,202	(314,107)	(314,698)
CASH AND POOLED INVESTMENTS - Beginning of year	432,542	2,601,518	3,063,439	6,097,499
CASH AND POOLED INVESTMENTS - End of year	\$ 392,749	\$ 2,640,720	\$ 2,749,332	\$ 5,782,801
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	\$ (124,480)	\$ (37,941)	\$ (135,498)	\$ (297,919)
Adjustment to reconcile operating income (loss) to net cash provided from operating activities:				
Depreciation	167,082	521,270	-	688,352
Changes in operating assets and liabilities:				
Accounts receivable	(553)	3,011	(3,010)	(552)
Prepaid items	-	(1,000)	(126,304)	(127,304)
Inventories	(4,896)	(3,490)	-	(8,386)
Due from other funds	(4,677)	(1,520)	(3,635)	(9,832)
Accounts payable	10,445	36,714	(94,997)	(47,838)
Claims payable	-	-	56,000	56,000
Due to other funds	231	(3,202)	280	(2,691)
Accrued payroll and benefits	2,904	6,695	4,836	14,435
Deferred revenue	-	-	-	-
Earned employee compensated absences	(11,853)	(8,862)	-	(20,715)
Net cash provided by (used in) operating activities	\$ 34,203	\$ 511,675	\$ (302,328)	\$ 243,550

- - - FUND TYPE: FIDUCIARY FUNDS - - -

Fiduciary Funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Included are:

- expendable trust funds (both principal & earnings are spendable)
- non-expendable trust funds (only earnings are spendable)
- agency funds

FINANCIAL PRESENTATION OF THE FOLLOWING FOUR FUNDS CAN BE FOUND IN:

- **BASIC FINANCIAL STATEMENTS:**
 - > **FIDUCIARY FUNDS STATEMENTS**
(CONSOLIDATED FUNDS PRESENTATION)
- **COMBINING STATEMENTS:**
 - > **FIDUCIARY FUNDS STATEMENTS**
(INDIVIDUAL FUNDS PRESENTATION)

CURRENT TAX COLLECTIONS FUND

(Financial Reporting Classification: An Agency Fund)

The Current Tax Collections Fund performs the role of a central receiving agency for collection and disposition of all current year property taxes that are levied on the City of Holland tax roll.

Receipts include property taxes that are collected on behalf of various local area public schools, an intermediate school district, two counties, as well as the City of Holland. Collections of special assessment installments are also recorded in this fund.

Distribution payments are made to the respective governmental units semi-monthly, as determined from analysis of software-generated detail.

OUTSIDE AGENCIES COLLECTIONS FUND

(Financial Reporting Classification: An Agency Fund)

The Outside Agencies Collection Fund performs the role of a central receiving agency for collection and disposition of various delinquent taxes, assessments, and certain other designated revenues of other governmental jurisdictions and authorities.

Receipts include such items as delinquent personal property taxes, mobile home park monthly fees, dog license fees, advance payments on unbonded special assessments, and state food license fees.

Distribution payments are made to the respective governmental units at the conclusion of each calendar month, as determined from analysis of software-generated detail.

EMPLOYEES' FLEXIBLE SPENDING AGENCY FUND

(Financial Reporting Classification: An Agency Fund)

The Employee Flexible Spending Account Plan Fund receives and disburses employee payments to a pre-tax Flexible Spending Account, as authorized by Section 125 of the Internal Revenue Code. Costs for dependent child care and various medical costs are considered eligible expenses under this plan. Financial accountability is provided for withholdings from employees' pay that are held on deposit in this fund until authorized disbursements are made.

A contracted third-party administrator provides a record-keeping services for all transactions of each employee, to include analysis and approval of individual expense submittals from each of the employees. Upon approval and preparation of flex reimbursement checks to the employees for eligible expenses incurred, the third-party administrator bills the City of Holland for the total of all flex reimbursement checks written for a particular time period.

Employee contributions under the Flexible Spending Plan may also be for employee premium payments to the City's Self-Funded Employee Health & Dental Insurance Plan. Such employee payments are not disbursed to the third-party administrator, but are distributed directly to the City's self-insurance fund.

- - - FUND TYPE: FIDUCIARY FUNDS - - -
(continued)

IMPREST PAYROLL FUND

(Financial Reporting Classification: An Agency Fund)

The Imprest Payroll Fund performs an agency role for the total cash expended with each payroll.

Receipts into the fund include payment received from each of the City's funds to which gross payroll amounts are charged.

Disbursements out of the fund include:

- payments to various governmental agencies and private-sector entities, representing mandatory and elective deductions from employees 'gross pay'
 - payments of 'net pay' to employees, or to designated financial institutions representing direct deposits of employees 'net pay'.
-

CITY OF HOLLAND, MICHIGAN

COMBINING BALANCE SHEET
FIDUCIARY FUNDS

JUNE 30, 2004

AGENCY FUNDS					
	CURRENT TAX COLLECTIONS	OUTSIDE AGENCIES COLLECTIONS	EMPLOYEES' FLEXIBLE SPENDING PLAN	IMPREST PAYROLL	TOTALS
<u>ASSETS</u>					
CURRENT ASSETS:					
Cash and pooled investments	\$ -	\$ 169,545	\$ 10,249	\$ 60,317	\$ 240,111
Due from other funds	-	-	4,822	-	4,822
Total assets	\$ -	\$ 169,545	\$ 15,071	\$ 60,317	\$ 244,933
<u>LIABILITIES AND FUND EQUITY</u>					
LIABILITIES:					
Accounts payable	\$ -	\$ 163,803	\$ 1,110	\$ 24,503	\$ 189,416
Due to other funds	-	-	-	-	-
Due to other governmental units	-	5,742	-	32,777	38,519
Other accrued liabilities and deposits	-	-	13,961	3,037	16,998
Total liabilities	\$ -	\$ 169,545	\$ 15,071	\$ 60,317	\$ 244,933

CITY OF HOLLAND, MICHIGAN
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUNDS

YEAR ENDED JUNE 30, 2004

	BALANCE JULY 1, 2003	ADDITIONS	REDUCTION	BALANCE JUNE 30, 2004
<u>CURRENT TAX COLLECTIONS FUND</u>				
<u>ASSETS</u>				
Cash and pooled investments	\$ -	\$ 48,955,766	\$ 48,955,766	\$ -
Accounts receivable	-	415,630	415,630	-
Total assets	\$ -	\$ 49,371,396	\$ 49,371,396	\$ -
<u>LIABILITIES</u>				
Due to other funds	\$ -	\$ 15,303,455	\$ 15,303,455	\$ -
Due to other governmental units	-	34,067,941	34,067,941	-
Total liabilities	\$ -	\$ 49,371,396	\$ 49,371,396	\$ -
<u>OUTSIDE AGENCIES COLLECTION FUND</u>				
<u>ASSETS</u>				
Cash and pooled investments	\$ 64,631	\$ 1,281,266	\$ 1,176,352	\$ 169,545
Accounts receivable	-	260,176	260,176	-
Total assets	\$ 64,631	\$ 1,541,442	\$ 1,436,528	\$ 169,545
<u>LIABILITIES</u>				
Accounts payable	\$ 60,089	\$ 2,046,146	\$ 1,942,432	\$ 163,803
Due to other funds	-	-	-	-
Due to other governmental units	4,542	329,907	328,707	5,742
Total liabilities	\$ 64,631	\$ 2,376,053	\$ 2,271,139	\$ 169,545
<u>EMPLOYEES' FLEXIBLE SPENDING PLAN</u>				
<u>ASSETS</u>				
Cash and pooled investments	\$ 18,802	\$ 235,885	\$ 244,438	\$ 10,249
Accounts receivable	288	130,265	125,731	4,822
Total assets	\$ 19,090	\$ 366,150	\$ 370,169	\$ 15,071
<u>LIABILITIES</u>				
Accounts payable	\$ 314	\$ 5,574	\$ 4,778	\$ 1,110
Other accrued liabilities and deposits	18,776	239,244	244,059	13,961
Total liabilities	\$ 19,090	\$ 244,818	\$ 248,837	\$ 15,071

(Continued)

CITY OF HOLLAND, MICHIGAN
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUNDS

YEAR ENDED JUNE 30, 2004
(Concluded)

	BALANCE JULY 1, 2003	ADDITIONS	REDUCTION	BALANCE JUNE 30, 2004
<u>IMPREST PAYROLL FUND</u>				
<u>ASSETS</u>				
Cash and pooled investments	\$ 50,079	\$ 41,934,144	\$ 41,923,906	\$ 60,317
Due from other funds	-	57,046	57,046	-
Total assets	\$ 50,079	\$ 41,991,190	\$ 41,980,952	\$ 60,317
<u>LIABILITIES</u>				
Accounts payable	\$ 14,183	\$ 994,736	\$ 984,416	\$ 24,503
Due to other governmental units	32,508	3,008,801	3,008,532	32,777
Other accrued liabilities and deposits	3,388	9,217,180	9,217,531	3,037
Total liabilities	\$ 50,079	\$ 13,220,717	\$ 13,210,479	\$ 60,317

<u>TOTALS - ALL FUNDS</u>				
<u>ASSETS</u>				
Cash and pooled investments	\$ 133,512	\$ 92,407,061	\$ 92,300,462	\$ 240,111
Accounts receivable	288	806,071	801,537	4,822
Due from other funds	-	57,046	57,046	-
Total assets	\$ 133,800	\$ 93,270,178	\$ 93,159,045	\$ 244,933
<u>LIABILITIES</u>				
Accounts payable	\$ 74,586	\$ 3,046,456	\$ 2,931,626	\$ 189,416
Due to other funds	-	15,303,455	15,303,455	-
Due to other governmental units	37,050	37,406,649	37,405,180	38,519
Other accrued liabilities and deposits	22,164	9,456,424	9,461,590	16,998
Total liabilities	\$ 133,800	\$ 65,212,984	\$ 65,101,851	\$ 244,933

(Concluded)

- - - **FUND TYPE: COMPONENT UNIT FUNDS** - - -

A component unit is a legally separate entity that satisfies at least one of the following criteria:

- The primary government (City of Holland) is financially accountable for the legally separate entity.
 - The nature and significance of the relationship between the primary government and the legally separate entity is such that to exclude the entity from the financial reporting entity would render the financial statements misleading or incomplete.
-

FINANCIAL PRESENTATION OF THE FOLLOWING THREE FUNDS CAN BE FOUND IN:

- **BASIC FINANCIAL STATEMENTS:**
 - > **GOVERNMENT-WIDE STATEMENTS - COMPONENT UNIT COLUMNS**
(INDIVIDUAL FUND COLUMNS UNDER MULTI-COLUMN HEADING OF COMPONENT UNITS)
- **COMBINING STATEMENTS:**
 - > **INDIVIDUAL FUNDS STATEMENTS**
(INDIVIDUAL FUND PRESENTATIONS)

BROWNFIELD REDEVELOPMENT AUTHORITY FUND

(Financial Reporting Classification: A Discretely Reported Component Unit Fund)

The Brownfield Redevelopment Authority Financing Act, State of Michigan P.A. 381 of 1996, as amended, establishes a method for municipalities to facilitate and promote revitalization of environmentally contaminated and/or blighted and functionally obsolete sites. Two primary tax incentives made available through this legislation include (1) State of Michigan Single Business Tax Credit Plan and (2) a City of Holland Tax Increment Financing Plan.

By Action No. 01.613 dated September 19, 2001, the Holland City Council adopted a resolution to establish a Brownfield Redevelopment Authority for the City of Holland, together with a governing board of directors. Two funds are established to account for approved Brownfield Project Plans:

- one is to separately record receipt of locally derived tax increment financing monies
- the other is to record payments to developers for reimbursement of eligible costs incurred involving cleanup and/or redevelopment.

As of the fiscal year ending June 30, 2003, three Brownfield Redevelopment Projects have been approved and established; but with very limited financial activity incurred.

- - - COMPONENT UNITS - - -
(continued)

DOWNTOWN DEVELOPMENT AUTHORITY

(Financial Reporting Classification: A Discretely Reported Component Unit Fund)

The Downtown Development Authority (DDA) Fund was established in May 1984 with adoption of City Ordinance Number 757, under authority granted by State of Michigan, Public Act 197 of 1975, as amended. The *Main Street Program*, modeled somewhat after the national program with the same name, is the mechanism used for administering operations and programs, under direction of a DDA board of directors.

Activities include a program for low interest loans to improve both exteriors and interiors of downtown buildings; recruitment of new businesses to downtown area; improved ambiance for shoppers such as assistance with window displays, a sidewalk hanging banners program, improved shopping atmosphere through new and expanded decorations and music; and presentations to area groups and news media which promotes the downtown area. Most activities performed by the DDA are provided for benefit of the private sector.

HOLLAND HISTORICAL TRUST

(Financial Reporting Classification: A Discretely Reported Component Unit Fund)

Holland Historical Trust is a Michigan non-profit corporation with its own board of directors that is not appointed by the Holland City Council. However, this fund is currently financially dependent upon the City of Holland for a substantial portion of its overall financing.

This fund provides financial accountability for the administration, operations and general maintenance of two local area historical buildings: *Holland Museum* and *Cappon House*.

Primary revenue sources include an annual contribution from the City of Holland - General Fund and bequests from the private sector. That portion of this fund representing accumulated bequests with limitations placed upon use of the contributed principal are established as non-expendable.

CITY OF HOLLAND, MICHIGAN

BALANCE SHEET
COMPONENT UNITS

JUNE 30, 2004

		DOWNTOWN DEVELOPMENT AUTHORITY	BROWNFIELD REDEVELOPMENT AUTHORITY
	<u>ASSETS</u>		
CURRENT ASSETS:			
Cash and pooled investments		\$ 140,644	\$ 2,844
Accounts receivable		2,798	-
Taxes receivable		1,824	-
Prepaid Items		200	-
Total assets		\$ 145,466	\$ 2,844
	<u>LIABILITIES AND FUND BALANCE</u>		
LIABILITIES:			
Accounts payable		\$ 5,055	\$ -
Accrued payroll and fringe benefits		4,547	-
Other accrued liabilities and deposits		11,028	-
Due to primary government		12	-
Total liabilities		20,642	-
FUND BALANCES:			
Unreserved:			
Designated for promotions		10,000	-
Undesignated		114,824	2,844
Total fund balance		124,824	2,844
Total liabilities and fund balance		\$ 145,466	\$ 2,844

CITY OF HOLLAND, MICHIGAN

Reconciliation of Fund Balances on the Balance Sheet
for the Downtown Development Authority to Net Assets of
the Governmental Activities on the Statement of Net Assets

JUNE 30, 2004

Fund balances - total governmental funds	\$ 124,824
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Amounts reported for *governmental activities* in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds.

Add - capital assets, net	171,266
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Net assets of governmental activities	<u>\$ 296,090</u>
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CITY OF HOLLAND, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
COMPONENT UNITS

YEAR ENDED JUNE 30, 2004

	DOWNTOWN DEVELOPMENT AUTHORITY	BROWNFIELD REDEVELOPMENT AUTHORITY
REVENUES:		
Property taxes	\$ 156,384	\$ 11,967
Intergovernmental	4,610	-
Investment earnings	1,869	(70)
Contributions and bequests	10,400	1,000
Total revenues	173,263	12,897
EXPENDITURES:		
Personal services	97,497	-
Current operating expenditures	65,912	9,053
Capital outlay	-	1,000
Total expenditures	163,409	10,053
NET CHANGE IN FUND BALANCE	9,854	2,844
FUND BALANCE - Beginning of year	114,970	-
FUND BALANCE - End of year	\$ 124,824	\$ 2,844

CITY OF HOLLAND, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of the Downtown Development
Authority to the Statement of Activities
YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds	\$ 9,854
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Deduct - depreciation expense	<u>(10,960)</u>
Change in net assets of governmental activities	<u>\$ (1,106)</u>

CITY OF HOLLAND, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
DOWNTOWN DEVELOPMENT AUTHORITY

YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Property taxes	\$ 155,042	\$ 149,973	\$ 156,384	\$ 6,411
Intergovernmental	4,610	4,610	4,610	-
Contributions from private sector	10,050	10,400	10,400	-
Investment earnings	7,800	4,010	1,869	(2,141)
Total revenues	177,502	168,993	173,263	4,270
EXPENDITURES:				
Personal services	94,300	95,690	97,497	(1,807)
Other services and charges	90,640	88,123	65,912	22,211
Capital outlay	10,000	14,000	-	14,000
Total expenditures	194,940	197,813	163,409	34,404
NET CHANGE IN FUND BALANCES	(17,438)	(28,820)	9,854	38,674
FUND BALANCE - Beginning of year	114,970	114,970	114,970	-
FUND BALANCE - End of year	\$ 97,532	\$ 86,150	\$ 124,824	\$ 38,674

CITY OF HOLLAND, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
BROWNFIELD REDEVELOPMENT AUTHORITY

YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Property taxes	\$ -	\$ 11,968	\$ 11,967	\$ (1)
Intergovernmental	-	-	-	-
Contributions	-	(6,747)	1,000	7,747
Investment earnings	-	19	(70)	(89)
Total revenues	-	5,240	12,897	7,657
EXPENDITURES:				
Personal services	-	-	-	-
Other services and charges	-	4,240	9,053	(4,813)
Capital outlay	-	1,000	1,000	-
Total expenditures	-	5,240	10,053	(4,813)
NET CHANGE IN FUND BALANCES	-	-	2,844	2,844
FUND BALANCE - Beginning of year	-	-	-	-
FUND BALANCE - End of year	\$ -	\$ -	\$ 2,844	\$ 2,844

CITY OF HOLLAND, MICHIGAN

GENERAL GOVERNMENT EXPENDITURES AND TRANSFERS BY FUNCTION
GENERAL FUND

LAST TEN FISCAL YEARS

FISCAL YEAR	GENERAL GOVERNMENT	PUBLIC SAFETY	PUBLIC WORKS	WELFARE AND SOCIAL SERVICES
1995	\$ 2,703,544	\$ 5,607,287	\$ 1,113,201	\$ 366,028
1996	2,907,092	5,873,374	1,170,129	359,859
1997	2,806,157	6,282,391	1,246,057	418,547
1998	2,926,967	6,612,811	1,340,945	397,790
1999	3,066,566	7,099,520	1,387,821	459,971
2000	3,354,582	7,530,546	1,050,619	488,222
2001	3,472,521	7,635,678	1,133,492	525,410
2002	3,618,570	7,905,419	1,123,357	540,156
2003	3,677,410	8,746,911	1,269,950	543,109
2004	3,531,670	9,277,812	1,173,165	582,131

	PERCENT TO			
1995	19.0	39.4	7.8	2.6
1996	19.5	39.3	7.8	2.4
1997	17.4	38.9	7.7	2.6
1998	18.2	41.2	8.4	2.5
1999	19.8	45.8	8.9	3.0
2000	20.8	46.7	6.5	3.0
2001	20.1	44.1	6.5	3.0
2002	21.3	46.6	6.6	3.2
2003	20.1	47.8	6.9	3.0
2004	19.0	50.0	6.3	3.1

Note: Capital outlay expenditures have been included in the appropriate functions.

Table I

CULTURE AND RECREATION	OTHER	TRANSFERS TO OTHER FUNDS	TOTAL
\$ 1,860,937	\$ 205,378	\$ 2,381,887	\$ 14,238,262
2,038,092	207,900	2,376,323	14,932,769
2,208,599	155,149	3,051,639	16,168,539
2,377,695	140,403	2,257,030	16,053,641
2,566,634	96,270	826,338	15,503,120
2,708,919	96,405	909,440	16,138,733
2,850,039	103,132	1,580,323	17,300,595
2,802,653	176,704	794,731	16,961,590
3,212,834	216,841	639,184	18,306,239
3,331,212	144,212	505,058	18,545,260

TOTAL EXPENDITURES

13.1	1.4	16.7
13.6	1.4	15.9
13.7	1.0	18.9
14.8	0.9	14.1
16.6	0.6	5.3
16.8	0.6	5.6
16.5	0.6	9.1
16.5	1.0	4.7
17.6	1.2	3.5
18.0	0.8	2.7

CITY OF HOLLAND, MICHIGAN

GENERAL GOVERNMENT REVENUES AND TRANSFERS BY SOURCE
GENERAL FUND
LAST TEN FISCAL YEARS

FISCAL YEAR	TAXES	LICENSES AND PERMITS	INTERGOVERNMENTAL REVENUE		
			FEDERAL	STATE	OTHER
1995	8,619,593	\$ 310,623	\$ 6,471	\$ 3,005,871	\$ -
1996	8,911,893	269,168	-	3,086,006	-
1997	9,273,309	256,202	3,000	3,257,404	-
1998	8,932,886	264,254	-	3,419,711	2,626
1999	8,115,772	272,993	32,453	3,581,269	27,634
2000	8,513,828	224,739	-	3,638,425	30,844
2001	9,023,392	48,918	-	4,690,973	31,109
2002	9,651,873	61,608	-	3,870,137	30,303
2003	10,158,815	61,892	-	3,674,497	32,539
2004	10,652,475	86,171	-	3,300,931	40,518

PERCENT TO TOTAL REVENUES

1995	57.8	2.1	0.0	20.2	-
1996	57.8	1.7	-	20.0	-
1997	57.5	1.6	0.0	20.2	-
1998	55.4	1.6	-	21.2	0.0
1999	52.3	1.8	0.2	23.1	0.2
2000	52.8	1.4	-	22.6	0.2
2001	50.1	0.3	-	26.0	0.2
2002	54.8	0.3	-	22.0	0.2
2003	56.0	0.3	-	20.2	0.2
2004	58.7	0.5	-	18.2	0.2

Table II

CHARGES FOR SERVICE	FINES AND FORFEITS	INTEREST	RENTS	OTHER	TRANSFER FROM OTHER FUNDS	TOTALS
\$ 632,715	\$ 190,189	\$ 494,662	\$ 135,758	\$ 63,667	\$ 1,443,112	\$14,902,661
641,990	225,123	616,223	147,809	16,602	1,500,000	15,414,814
701,883	232,496	623,283	133,337	8,069	1,650,000	16,138,983
695,845	241,433	713,777	134,764	14,810	1,704,000	16,124,106
712,961	281,681	571,935	136,795	6,208	1,764,000	15,503,701
809,246	280,705	632,129	144,655	7,407	1,837,335	16,119,313
867,643	262,926	920,904	176,824	8,884	1,985,180	18,016,753
773,158	251,815	607,866	183,941	6,834	2,180,208	17,617,743
1,196,491	236,057	332,003	152,849	13,640	2,297,091	18,155,874
1,277,968	237,187	173,509	175,741	12,227	2,350,451	18,307,178

4.2	1.3	3.3	0.9	0.4	9.7
4.2	1.5	4.0	1.0	0.1	9.7
4.3	1.4	3.9	0.8	0.0	10.2
4.3	1.5	4.4	0.8	0.1	10.6
4.6	1.8	3.7	0.9	0.0	11.4
5.0	1.7	3.9	0.9	0.0	11.4
4.8	1.5	5.1	1.0	0.0	11.0
4.4	1.4	3.5	1.0	0.0	12.4
6.6	1.3	1.8	0.8	0.1	12.7
7.0	1.3	1.0	1.0	0.1	12.9

CITY OF HOLLAND, MICHIGAN
PROPERTY TAXES, LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

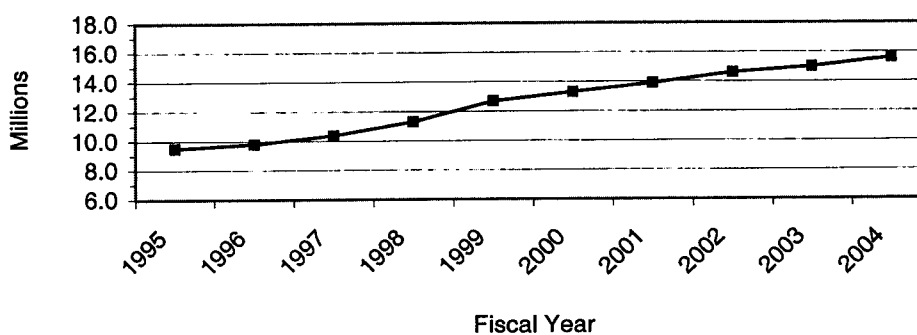
<u>FISCAL YEAR</u>	<u>TOTAL TAX LEVY (1)</u>	<u>CURRENT TAX COLLECTIONS</u>	<u>PERCENT OF LEVY COLLECTED</u>	<u>DELINQUENT TAX COLLECTIONS</u>
1995	\$ 9,447,914	\$ 9,438,452	99.90	\$ 4,002
1996	9,834,203	9,824,050	99.90	3,598
1997	10,386,530	10,385,277	99.99	3,960
1998	11,264,034	11,247,338	99.85	3,999
1999	12,709,308	12,695,733	99.89	6,269
2000	13,330,230	13,313,672	99.88	3,689
2001	13,918,773	13,858,935	99.57	10,337
2002	14,957,549	14,521,784	97.09	38,246
2003	15,221,185	14,826,300	97.41	126,030
2004	15,682,955	15,596,119	99.45	38,634

(1) Excludes the DDA tax levy and Brownfield Redevelopment Authority tax levy, both of which are Component Units.

Table III

TOTAL TAX COLLECTIONS	TOTAL COLLECTIONS AS PERCENT OF CURRENT LEVY	OUTSTANDING DELINQUENT TAXES	WRITE-OFFS	OUTSTANDING DELINQUENT TAXES AS PERCENT OF CURRENT LEVY
\$ 9,442,454	99.94	\$ 14,673	\$ 2,379	0.16
9,827,648	99.93	17,708	2,482	0.18
10,389,237	100.03	15,835	1,255	0.15
11,251,337	99.89	26,794	1,442	0.24
12,702,002	99.94	21,708	1,953	0.17
13,317,361	99.90	38,088	4,091	0.29
13,869,272	99.64	54,281	13,385	0.39
14,560,030	97.34	96,296	520	0.64
14,952,330	98.23	162,622	1,967	1.07
15,634,753	99.69	192,661	3,733	1.23

Total Tax Collections



CITY OF HOLLAND, MICHIGAN

TAXABLE VALUES - TAX RATES - TAX LEVIES
LAST TEN FISCAL YEARS

FISCAL YEAR	TYPE OF LEVY	TAXABLE VALUES		
		REAL PROPERTY	PERSONAL PROPERTY	TOTAL
1995	Regular	\$ 520,212,700	\$ 126,655,200	\$ 646,867,900
	Tax Abatement-New	49,255,900	46,216,300	95,472,200
	Tax Abatement-Rehab	1,608,800	-	1,608,800
		\$ 571,077,400	\$ 172,871,500	\$ 743,948,900
1996	Regular	\$ 540,063,549	\$ 133,825,500	\$ 673,889,049
	Tax Abatement-New	50,530,400	47,290,500	97,820,900
	Tax Abatement-Rehab	1,581,800	-	1,581,800
		\$ 592,175,749	\$ 181,116,000	\$ 773,291,749
1997	Regular	\$ 567,729,020	\$ 134,372,000	\$ 702,101,020
	Tax Abatement-New	64,116,800	62,561,000	126,677,800
	Tax Abatement-Rehab	982,300	-	982,300
		\$ 632,828,120	\$ 196,933,000	\$ 829,761,120
1998	Regular	\$ 600,599,183	\$ 138,210,500	\$ 738,809,683
	Tax Abatement-New	68,403,200	78,392,300	146,795,500
	Tax Abatement-Rehab	779,600	-	779,600
		\$ 669,781,983	\$ 216,602,800	\$ 886,384,783
1999	Regular	\$ 633,724,195	\$ 151,221,100	\$ 784,945,295
	Tax Abatement-New	71,234,200	77,085,400	148,319,600
	Tax Abatement-Rehab	497,100	-	497,100
		\$ 705,455,495	\$ 228,306,500	\$ 933,761,995
2000	Regular	\$ 672,007,496	\$ 159,385,400	\$ 831,392,896
	Tax Abatement-New	62,322,600	91,712,700	154,035,300
	Tax Abatement-Rehab	339,500	-	339,500
		\$ 734,669,596	\$ 251,098,100	\$ 985,767,696

Table IV

TAX RATE (PER \$1,000 OF TAXABLE VALUE)					
OPERATING	MAX	DEBT SERVICE	HERRICK DISTRICT Library	TOTAL TAX RATE	TOTAL TAX LEVY
11.9907	0.1000	1.1216	0.0000	13.2123	\$ 8,546,613
5.9954	0.0500	0.5608	0.0000	6.6062	630,704
11.9907	0.1000	1.1216	0.0000	13.2123	21,256
					\$ 9,198,572
11.8907	0.2000	1.1216	0.0000	13.2123	\$ 8,903,624
5.9454	0.1000	0.5608	0.0000	6.6062	646,224
11.8907	0.2000	1.1216	0.0000	13.2123	20,899
					\$ 9,570,748
11.6657	0.3750	1.1216	0.0000	13.1623	\$ 9,241,264
5.8329	0.1875	0.5608	0.0000	6.5812	833,692
11.6657	0.3750	1.1216	0.0000	13.1623	12,929
					\$ 10,087,886
10.5979	0.2750	1.1216	1.4886	13.4831	\$ 9,961,445
5.2990	0.1375	0.5608	0.7443	6.7416	989,637
10.5979	0.2750	1.1216	1.4886	13.4831	10,511
					\$ 10,961,593
11.4260	0.1500	1.2840	1.3673	14.2273	\$ 11,167,652
5.7130	0.0750	0.6420	0.6837	7.1137	1,055,094
11.4260	0.1500	1.2840	1.3673	14.2273	7,072
					\$ 12,229,818
11.4000	0.1500	1.2500	1.3827	14.1827	\$ 11,791,396
5.7000	0.0750	0.6250	0.6914	7.0914	1,092,318
11.4000	0.1500	1.2500	1.3827	14.1827	4,815
					\$ 12,888,529

(Continued)

CITY OF HOLLAND, MICHIGAN

TAXABLE VALUES - TAX RATES - TAX LEVIES
LAST TEN FISCAL YEARS
(Concluded)

FISCAL YEAR	TYPE OF LEVY	TAXABLE VALUES		
		REAL PROPERTY	PERSONAL PROPERTY	TOTAL
2001	Regular	\$ 711,123,898	\$ 157,485,800	\$ 868,609,698
	Tax Abatement-New	60,353,800	100,346,800	160,700,600
	Tax Abatement-Rehab	339,500	-	339,500
		\$ 771,817,198	\$ 257,832,600	\$ 1,029,649,798
2002	Regular	\$ 755,600,829	\$ 185,901,200	\$ 941,502,029
	Tax Abatement-New	60,183,800	96,243,600	156,427,400
	Tax Abatement-Rehab	339,500	-	339,500
		\$ 816,124,129	\$ 282,144,800	\$ 1,098,268,929
2003	Regular	\$ 802,139,847	\$ 179,320,800	\$ 981,460,647
	Tax Abatement-New	55,303,000	89,927,700	145,230,700
	Tax Abatement-Rehab	-	-	-
		\$ 857,442,847	\$ 269,248,500	\$ 1,126,691,347
2004	Regular	\$ 855,610,510	\$ 162,473,500	\$ 1,018,084,010
	Tax Abatement-New	54,623,900	84,597,200	139,221,100
	Tax Abatement-Rehab	-	-	-
		\$ 910,234,410	\$ 247,070,700	\$ 1,157,305,110

Note: According to State Statute, all taxable property is to be assessed at 50% of market value (state equalized assessed value). The Industrial Facilities and Commercial Facilities Tax Acts permit certain property to be taxed at one-half the tax rate for a period up to 12 years. For taxes levied in 1995 (Fiscal Year 1996) and each year thereafter, property taxes are calculated based on the 'taxable value' rather than the 'state equalized value' as in previous years. This change was a result of Proposal A, which became Public Act No. 415 of 1994. For fiscal years prior to 1996, valuations are expressed as 'state equalized value'. For fiscal years 1996 and after, valuations are expressed as 'taxable value'.

Table IV

TAX RATE (PER \$1,000 OF TAXABLE VALUE)					
OPERATING	MAX	DEBT SERVICE	HERRICK DISTRICT LIBRARY	TOTAL TAX RATE	TOTAL TAX LEVY
11.5389	0.1500	1.1000	1.3938	14.1827	\$ 12,319,231
5.7695	0.0750	0.5500	0.6969	7.0914	1,139,584
11.5389	0.1500	1.1000	1.3938	14.1827	4,815
					\$ 13,463,630
11.4389	0.2500	1.1108	1.3830	14.1827	\$ 13,353,042
5.71945	0.1250	0.5554	0.6915	7.0914	1,109,281
11.4389	0.2500	1.1108	1.3830	14.1827	4,815
					\$ 14,467,138
11.0376	0.2234	1.3620	1.3770	14.0000	\$ 13,740,450
5.51880	0.1117	0.6810	0.6885	7.0000	1,016,615
11.0376	0.2234	1.3620	1.3770	14.0000	-
					\$ 14,757,065
10.9421	0.2000	1.5000	1.3579	14.0000	\$ 14,253,176
5.47100	0.1000	0.7500	0.6790	7.0000	974,548
10.9421	0.2000	1.5000	1.3579	14.0000	-
					\$ 15,227,724

(Concluded)

CITY OF HOLLAND, MICHIGAN
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

FISCAL YEAR	CITY OF HOLLAND	OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT	COUNTIES		STATE OF MICHIGAN	HOLLAND AREA COMMUNITY SWIMMING POOL	HERRICK DISTRICT LIBRARY
			OTTAWA	ALLEGAN			
1995	13.2123	3.4730	4.8990	6.2361	6.0000	-	-
1996	13.2123	3.4730	5.4490	6.5561	6.0000	0.5500	-
1997	13.1623	3.4730	4.7165	6.0061	6.0000	1.0500	-
1998	11.9945	3.4664	4.6985	6.0533	6.0000	1.4600	1.4886
1999	12.8600	3.4588	4.4804	6.0164	6.0000	1.5000	1.3673
2000	12.8000	4.3353	4.3812	6.9406	6.0000	1.4876	1.3827
2001	12.7889	4.2999	4.3760	6.8551	6.0000	1.7500	1.3938
2002	12.7997	4.2854	4.2722	6.7631	6.0000	1.7282	1.3830
2003	12.6230	4.2688	4.1672	6.7583	6.0000	1.6667	1.3770
2004	12.6421	4.2305	4.1611	6.6879	5.0000	1.5900	1.3579

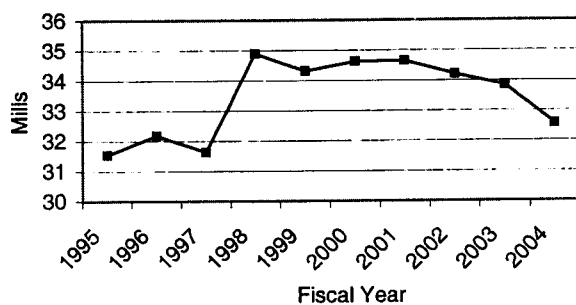
(All rates are per \$1,000 of state-equalized valuation for fiscal years prior to 1996)
(All rates are per \$1,000 of taxable valuation for fiscal years 1996 and after)

* Approximately 80 percent of the Holland City area is located in Ottawa County and 20 percent in Allegan County. Therefore, the total reflects tax rates from Ottawa County and the Holland School District only.

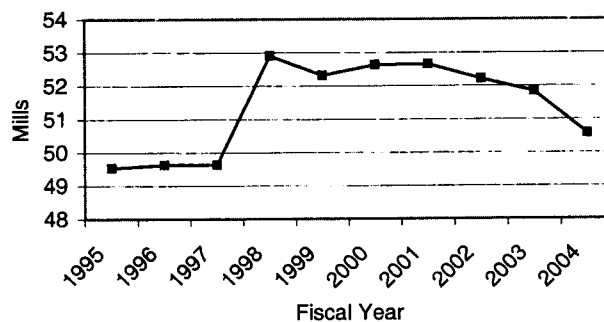
Table V

SCHOOL DISTRICTS							
HOLLAND		HAMILTON		ZEELAND		TOTAL *	
HOMESTEAD	NON HOMESTEAD	HOMESTEAD	NON HOMESTEAD	HOMESTEAD	NON HOMESTEAD	HOMESTEAD	NON HOMESTEAD
3.9500	21.9500	2.4000	20.4000	6.6300	24.6300	31.5343	49.5343
3.5000	21.5000	2.4000	20.4000	6.6300	24.6300	32.1843	49.6343
6.5000	24.5000	2.4000	20.4000	6.6300	24.6300	31.6343	49.6343
4.2000	22.2000	2.4000	20.3208	6.6275	24.6275	34.9018	52.9018
4.6500	22.6500	5.4000	23.1881	7.0222	25.0222	34.3165	52.3165
4.2468	22.2468	7.4000	25.4000	8.0236	26.0236	34.6336	52.6336
4.0441	22.0441	7.4000	25.4000	8.0116	26.0116	34.6527	52.6527
3.7426	21.7426	7.4000	25.4000	8.0074	26.0074	34.2111	52.2111
3.7412	21.7412	7.4000	25.4000	7.9965	25.9965	33.8439	51.8439
3.5868	21.5868	7.4000	25.4000	8.0010	26.0010	32.5684	50.5684

Total Tax Levies - Homestead



Total Tax Levies - Non Homestead



CITY OF HOLLAND, MICHIGAN

SPECIAL ASSESSMENTS - BILLING AND COLLECTIONS
LAST TEN FISCAL YEARS

FISCAL YEAR	TOTAL ASSESSMENTS OUTSTANDING BEGINNING OF PERIOD	NEW ASSESSMENTS ADDED (REDUCED)	COLLECTIONS		TOTAL ASSESSMENTS OUTSTANDING END OF PERIOD
			INSTALLMENTS PAID IN ADVANCE	SCHEDULED ANNUAL INSTALLMENTS	
STREET IMPROVEMENT ASSESSMENTS					
1995	\$ 829,275	\$ 82,744	\$ 53,057	\$ 242,195	\$ 616,767
1996	616,767	298,294	209,997	168,119	536,945
1997	536,945	413,351	178,400	268,398	503,498
1998	503,498	516,752	133,211	216,718	670,321
1999	670,321	125,591	104,032	65,803	626,077
2000	626,077	426,716	256,117	78,086	718,590
2001	718,590	-	16,785	66,022	635,783
2002	635,783	124,174	65,386	72,687	621,884
2003	621,884	-	17,742	66,977	537,165
2004	537,165	-	53,990	60,778	422,397

SANITARY SEWER ASSESSMENTS

1995	\$ 366,152	\$ 66,880	\$ 31,450	\$ 62,942	\$ 338,640
1996	338,640	45,142	30,378	61,766	291,638
1997	291,638	129,532	58,809	63,094	299,267
1998	299,267	74,690	12,548	62,841	298,568
1999	298,568	133,830	56,075	40,053	336,270
2000	336,270	1,142,303	50,237	32,601	1,395,735
2001	1,395,735	27,649	6,531	93,259	1,323,594
2002	1,323,594	293,689	93,956	113,334	1,409,993
2003	1,409,993	-	63,149	105,598	1,241,246
2004	1,241,246	79,858	131,969	99,983	1,089,152

(Continued)

CITY OF HOLLAND, MICHIGAN

SPECIAL ASSESSMENTS - BILLING AND COLLECTIONS
 LAST TEN FISCAL YEARS
 (Concluded)

FISCAL YEAR	TOTAL ASSESSMENTS OUTSTANDING BEGINNING OF PERIOD	NEW ASSESSMENTS ADDED (REDUCED)	COLLECTIONS		TOTAL ASSESSMENTS OUTSTANDING END OF PERIOD
			INSTALLMENTS PAID IN ADVANCE	SCHEDULED ANNUAL INSTALLMENTS	
<u>SIDEWALK ASSESSMENTS</u>					
1995	\$ 29,181	\$ 8,212	\$ 2,825	\$ 20,506	\$ 14,062
1996	14,062	51,650	29,227	25,586	10,899
1997	10,899	20,884	6,103	9,132	16,548
1998	16,548	144,900	84,674	21,596	55,178
1999	55,178	4,916	7,116	14,761	38,217
2000	38,217	26,011	7,116	15,628	41,484
2001	41,484	-	1,680	11,819	27,985
2002	27,985	-	-	9,236	18,749
2003	18,749	11,730	2,279	2,354	25,846
2004	25,846	-	-	2,191	23,655

<u>WATERMAIN ASSESSMENTS</u>										
1995	\$	90,671	\$	-	\$	23,507	\$	8,198	\$	58,966
1996		58,966		123,778		61,897		12,891		107,956
1997		107,956		-		25,269		10,911		71,776
1998		71,776		48,260		8,406		10,360		101,270
1999		101,270		88,602		67,827		9,501		112,544
2000		112,544		103,889		53,674		15,804		146,955
2001		146,955		-		2,376		12,721		131,858
2002		131,858		765,410		221,375		63,298		612,594
2003		612,594		37,080		14,364		49,158		586,152
2004		586,152		48,706		51,975		50,247		532,636

(Concluded)

CITY OF HOLLAND, MICHIGAN

RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA LAST TEN FISCAL YEARS

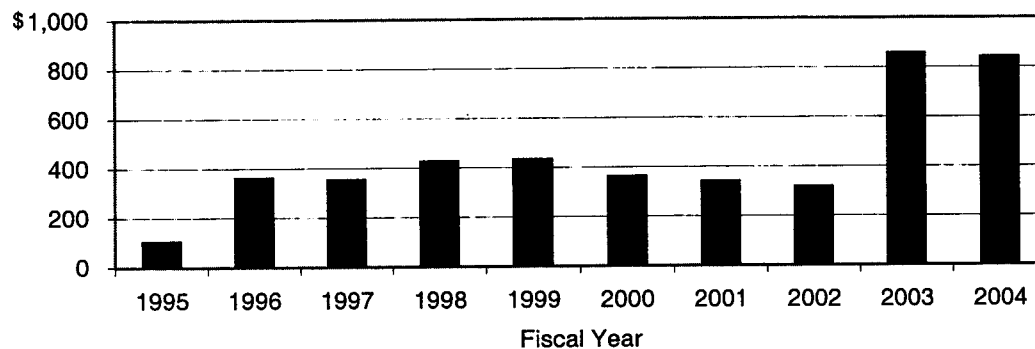
<u>FISCAL YEAR</u>	<u>POPULATION</u>	<u>ASSESSED VALUE</u>	<u>GROSS BONDED DEBT</u>	<u>LESS DEBT SERVICE FUND</u>	<u>LESS SPECIAL ASSESSMENT DEBT</u>
1995	30,745	\$ 696,212,800	\$ 45,610,553	\$ 303,525	\$ 1,253,137
1996	30,745	724,381,299	51,826,673	541,261	1,127,180
1997	30,745	766,422,220	48,947,688	145,788	1,173,742
1998	30,745	812,987,033	63,748,283	4,776	1,165,000
1999	30,745	859,602,195	62,690,702	62,046	1,060,000
2000	35,048	908,750,046	60,684,919	49,419	2,524,838
2001	35,048	949,299,498	56,140,007	43,110	2,332,863
2002	35,048	1,020,055,229	53,487,706	137,682	2,935,892
2003	35,048	1,054,075,997	64,690,340	64,955	2,728,913
2004	35,048	1,087,694,560	60,603,995	14,677	2,496,942

(1) Represents approximately 62.1% of the debt for the Building Authority Bonds issued in 1997, 1999 and 2004 for the Herrick District Library Expansion Project which is committed to be paid by three area local government jurisdictions based upon a Library Support Agreement.

Table VII

LESS DEBT PAYABLE FROM ENTERPRISE REVENUES	LESS DEBT PAYABLE FROM LIBRARY SUPPORT AGREEMENT (1)	NET BONDED DEBT	BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
\$ 40,835,448	\$ -	\$ 3,218,443	0.46 %	\$ 105
39,034,906	-	11,123,326	1.54	362
36,747,182	-	10,880,976	1.42	354
45,133,283	4,356,315	13,088,909	1.61	426
42,630,702	5,613,840	13,324,114	1.55	433
39,970,081	5,443,065	12,697,516	1.40	362
36,562,144	5,225,715	11,976,175	1.26	342
34,316,814	4,977,315	11,120,003	1.09	317
27,236,425	4,697,865	29,962,182	2.84	855
24,147,553	4,517,775	29,427,048	2.71	840

Net Bonded Debt per Capita



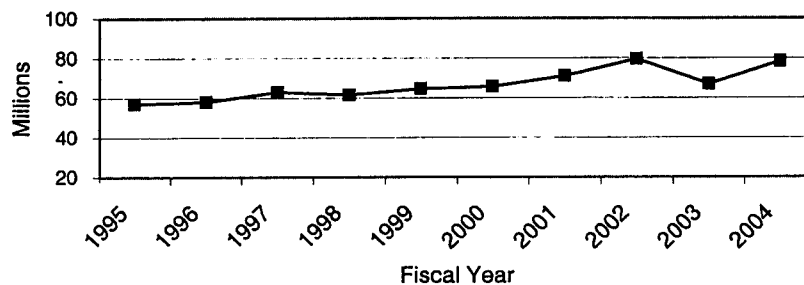
CITY OF HOLLAND, MICHIGAN

COMPUTATION OF LEGAL DEBT MARGIN
FOR GENERAL OBLIGATION (GO) BONDS
AND LIMITED TAX OBLIGATION (LTGO) BONDS
JUNE 30, 2004

Total Assessed Value	\$ 1,087,694,560
<hr/>	
Legal Debt Margin:	
Debt limitation - 10% of total assessed value	\$ 108,769,456
<hr/>	
Debt applicable to limitation:	
Total bonded debt	53,328,995
Less:	
Special assessment bonds	(1,440,000)
Michigan Transportation Bond Debt	(2,665,000)
Revenue bonds	(18,803,861)
Amount available for repayment of general obligation and limited tax obligation bonds	(14,677)
<hr/>	
Total debt applicable to limitation	30,405,457
<hr/>	
Legal Debt Margin	\$ 78,363,999
<hr/>	

Note: The City of Holland is legally indebted for the Building Authority Bonds issued in 1997, 1999 and 2004 for the Herrick District Library Expansion Project. Payment of approximately 62.1% of the debt is committed to be paid by three area local governmental jurisdictions based upon an executed Library Support Agreement. A uniform millage rate is levied annually across the four (including City of Holland) participating governmental units to support this debt repayment. For practical purpose 62.1% of \$7,275,000, or \$4,517,775, should be added to the Legal Debt Margin shown above.

Legal Debt Margin



CITY OF HOLLAND, MICHIGAN

COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2004

DIRECT DEBT

General Obligation Bonds		\$	464,500
Special Assessment (LTGO) Bonds			1,440,000
Revenue Bonds			18,803,861
Building Authority Bonds			30,830,000
Michigan Transportation Bonds			2,665,000
Share of County Issued Bonds			6,400,634
<hr/>			
Less:			60,603,995
Special Assessment Bonds	(1,440,000)		
Revenue Bonds	(18,803,861)		
Michigan Transportation Bonds	(2,665,000)		(22,908,861)
<hr/>			
Total Direct Debt			37,695,134

OVERLAPPING DEBT

	TOTAL DEBT	JURISDICTIONAL PERCENTAGE WITHIN CITY OF HOLLAND	CITY OF HOLLAND SHARE
Holland School District	\$ 28,078,526	80.22	\$ 22,524,594
Holland Area Community Swimming Pool Authority	9,185,000	80.22	7,368,207
Hamilton School District	37,445,000	21.13	7,912,129
Zeeland School District	104,975,900	0.02	20,995
Ottawa County	98,511,536	8.35	8,225,713
Allegan County	36,169,679	12.14	4,390,999
Ottawa Intermediate Schools	9,131,303	11.56	1,055,579
<hr/>			
Total Overlapping Debt			51,498,216
<hr/>			
Net Direct and Overlapping Debt			\$ 89,193,350

CITY OF HOLLAND, MICHIGAN

RATIO OF ANNUAL DEBT SERVICE FOR GENERAL
DEBT TO TOTAL GENERAL EXPENDITURES
LAST TEN FISCAL YEARS

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST AND FEES</u>	<u>TOTAL DEBT SERVICE</u>	<u>TOTAL GENERAL FUND EXPENDITURES</u>	<u>RATIO OF DEBT SERVICE TO GENERAL FUND EXPENDITURES</u>
1995	\$ 594,775	\$ 103,820	\$ 698,595	\$ 14,238,262	4.91 %
1996	498,540	71,793	570,333	14,932,769	3.82
1997	518,126	42,350	560,476	16,168,539	3.47
1998	434,681	11,954	446,635	16,053,641	2.78
1999	75,000	275,763	350,763	15,503,120	2.26
2000	100,000	271,726	371,726	16,138,733	2.30
2001	125,000	266,076	391,076	17,300,595	2.26
2002	125,000	253,319	378,319	16,961,590	2.23
2003	150,000	711,335	861,335	18,306,239	4.71
2004	490,000	1,053,990	1,543,990	18,545,261	8.33

CITY OF HOLLAND, MICHIGAN

REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS

<u>FISCAL YEAR</u>	<u>GROSS REVENUES</u>	<u>OPERATING EXPENSES</u>	<u>NET REVENUE AVAILABLE FOR DEBT SERVICE</u>
<u>ELECTRIC UTILITY FUND</u>			
1995	\$ 42,812,328	\$ 36,003,250	\$ 6,809,078
1996	46,307,386	38,869,476	7,437,910
1997	48,211,234	40,557,145	7,654,089
1998	50,772,158	42,073,851	8,698,307
1999	54,062,413	46,106,130	7,956,283
2000	58,242,489	48,469,635	9,772,854
2001	65,355,287	53,510,216	11,845,071
2002	63,597,866	53,019,357	10,578,509
2003	64,463,883	56,134,987	8,328,896
2004	64,819,973	59,062,650	5,757,323
<u>WATER FUND</u>			
1995	\$ 2,728,349	\$ 2,479,319	\$ 249,030
1996	2,903,173	2,657,983	245,190
1997	3,078,033	2,781,244	296,789
1998	3,235,995	2,782,642	453,353
1999	3,745,739	3,585,853	159,886
2000	4,212,442	3,597,719	614,723
2001	4,163,215	3,976,810	186,405
2002	4,531,347	3,837,553	693,794
2003	4,924,641	4,086,454	838,187
2004	5,251,241	4,399,197	852,044

Table XI

DEBT SERVICE REQUIREMENTS			
PRINCIPAL	INTEREST	TOTAL	COVERAGE
\$ 1,362,990	\$ 1,939,294	\$ 3,302,284	2.06 %
1,494,475	1,857,152	3,351,627	2.22
1,564,739	1,766,701	3,331,440	2.30
2,088,649	1,646,421	3,735,070	2.33
1,936,040	1,496,954	3,432,994	2.32
2,062,909	1,338,657	3,401,566	2.87
2,774,684	1,161,439	3,936,123	3.01
1,489,972	1,049,417	2,539,389	4.17
6,493,955	829,166	7,323,121	1.14
2,254,793	405,568	2,660,361	2.16
\$ -	\$ -	\$ -	- %
-	-	-	-
-	-	-	-
-	274,570	274,570	1.65
300,000	543,365	843,365	0.19
315,000	531,054	846,054	0.73
335,000	517,399	852,399	0.22
355,000	502,559	857,559	0.81
380,000	486,383	866,383	0.97
400,000	468,828	868,828	0.98

CITY OF HOLLAND, MICHIGAN

DEMOGRAPHIC STATISTICS

<u>YEAR</u>	<u>POPULATION *</u>	<u>PERCENT INCREASE (DECREASE)</u>
1867	Incorporated as a City	
1870	2,324	- %
1880	2,620	12.74
1890	3,956	50.99
1900	7,790	96.92
1910	10,490	34.66
1920	12,166	15.98
1930	14,346	17.92
1940	14,616	1.88
1950	15,858	8.50
1960	24,916	57.12
1970	26,337	5.70
1980	26,281	(0.21)
1990	30,745	16.99
2000	35,048	14.00

Data Sources:

* Michigan Manuals, Michigan Department of Management and Budget.

CITY OF HOLLAND, MICHIGAN
PROPERTY VALUE AND CONSTRUCTION
LAST TEN FISCAL YEARS

FISCAL YEAR	INDUSTRIAL AND COMMERCIAL CONSTRUCTION (1)		RESIDENTIAL CONSTRUCTION (1)		REAL PROPERTY VALUE (2)	
	NUMBER OF PERMITS	VALUE	NUMBER OF UNITS	VALUE	INDUSTRIAL AND COMMERCIAL	RESIDENTIAL
1995	113	\$ 55,004,018	509	\$ 13,928,721	227,656,100	\$ 340,560,900
1996	113	44,393,569	586	16,719,348	246,480,400	355,968,000
1997	125	27,604,820	724	10,238,525	259,467,300	370,464,300
1998	109	21,607,590	680	11,214,577	302,372,000	391,864,100
1999	136	16,216,106	697	9,779,823	329,771,400	425,205,300
2000	163	23,191,668	683	9,952,365	352,878,600	452,242,900
2001	127	21,949,247	724	9,936,335	360,083,600	481,626,000
2002	108	22,315,659	787	12,710,920	401,998,500	518,047,700
2003	98	13,716,905	825	25,660,922	414,824,000	557,613,000
2004	132	27,518,191	709	16,516,992	389,767,700	591,250,400

Data Sources:

(1) City of Holland - Environmental Health Department - permits issued.

(2) City of Holland - Assessing Department - assessed real property value, post board of review.

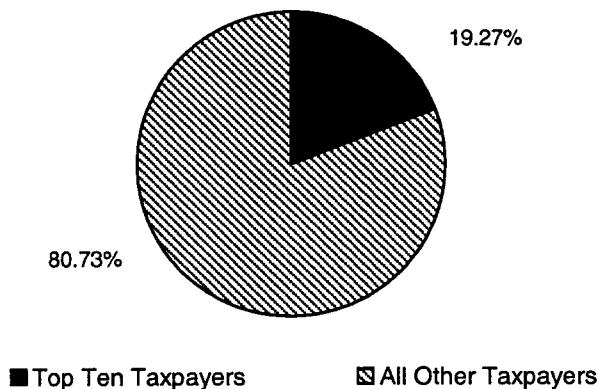
CITY OF HOLLAND, MICHIGAN

PRINCIPAL TAXPAYERS
JUNE 30, 2004

TAXPAYER	TYPE OF BUSINESS	TAXABLE VALUATION	PERCENTAGE OF TOTAL ASSESSED VALUATION
1. Johnson Controls Interiors	Automotive Parts Supplier	\$ 69,969,088	6.43 %
2. Haworth, Inc.	Office Furniture & Fixtures	50,584,610	4.65
3. ARC Holland Real Estate	Retirement Village	18,735,300	1.72
4. H. J. Heinz Co.	Pickle & Cucumber Products	12,428,293	1.14
5. Planters Lifesavers	Confection Products	12,165,400	1.12
6. Herman Miller, Inc.	Office Furniture & Fixtures	10,987,060	1.01
7. Hydro Automotive Structures	Aluminum Extrusion	9,223,698	0.85
8. Lumir Corp	Real Estate Holdings	8,889,710	0.82
9. New West MI Ind Inv LLC	Warehouse Facility	8,779,800	0.81
10. Brooks Beverage Inc	Production & Distribution of Beverages	7,787,587	0.72
Totals		<u>\$ 209,550,546</u>	<u>19.27 %</u>

2004 Total Taxable Value is \$1,087,694,560, which includes IFT's at equivalency valuation. A breakdown of the taxable value between the regular tax levy and IFT tax abatement (at 100% valuation) is provided in Table IV. The abatements are taxed at one-half the tax rate.

Concentration of Taxpayers



CITY OF HOLLAND, MICHIGAN

MISCELLANEOUS STATISTICAL DATA
JUNE 30, 2004

Date of incorporation (adoption of current charter)	November 7, 1950
Form of government	Council/Manager
Number of employees (including police & fire)	
Classified	432
Unclassified	3
Area in square miles	17.35
Miles of streets	157.1
Number of street lights	4,435
Culture and recreation:	
Community centers	1
Parks	24
Park acreage	448
Swimming pools	1
Tennis courts	21
Stadiums	1
Nature centers	1
Tourist attractions	1
Fire protection:	
Number of stations	3
Number of personnel and officers:	
Full-time employees	28
Paid-on-call employees	30
Number of calls answered	2,597
Number of inspections conducted	75
Police protection:	
Number of stations	1
Number of full-time police personnel and officers	74
Number of law violations:	
Physical arrests	3,096
Traffic violations	8,430
Parking violations	4,581
Part I Crimes	3,351
Part 2 Crimes	3,054
Total Calls	23,686
Calls for Service	14,862
Accident Investigations	1,819

(Continued)

CITY OF HOLLAND, MICHIGAN

MISCELLANEOUS STATISTICAL DATA

JUNE 30, 2004

(Concluded)

Sewage systems:

Miles of sanitary sewers	165.49
Miles of storm sewers	134
Number of treatment plants	1
Number of service connections	12,097
Daily average treatment in gallons	9,071,000
Maximum daily capacity of treatment plant in gallons	12,000,000

Water system:

Miles of water mains	221.09
Number of service connections	13,209
Number of fire hydrants	2,110
Daily average consumption in gallons	12,160,976
Maximum daily capacity of plant in gallons	38,500,000

Elections:

Number of registered voters	19,839
Number of votes cast in:	
Last municipal election	2,832
Percentage of registered voters voting in:	
Last municipal election	14.03%

Education:

Number of elementary schools	7
Number of elementary school instructors	141
Number of parochial elementary schools	4
Number of parochial elementary school instructors	71
Number of middle schools	2
Number of middle school instructors	78
Number of parochial middle schools	3
Number of parochial middle school instructors	38
Number of secondary schools	1
Number of secondary school instructors	124
Number of parochial secondary schools	2
Number of parochial secondary school instructors	73
Number of charter schools	2
Number of charter school instructors	62

(Concluded)

CITY OF HOLLAND, MICHIGAN
 DETAIL OF DEBT SERVICE MATURITIES
 BY INDIVIDUAL OBLIGATION

GENERAL AND LIMITED TAX OBLIGATION BONDS:

FISCAL YEAR	2001 OTTAWA COUNTY SEWAGE DISPOSAL BONDS			1995A STREET IMPROVEMENT BONDS	
	PRINCIPAL	INTEREST	REFUNDING AMORTIZATION	PRINCIPAL	INTEREST
2005	\$ 455,000	\$ 242,750	\$ 31,231	\$ 260,000	\$ 20,985
2006	479,500	226,370	31,231	280,000	7,210
2007	500,500	208,388	31,231	-	-
2008	521,500	188,368	31,231	-	-
2009	546,000	166,987	31,231	-	-
2010	574,000	143,782	31,231	-	-
2011	598,500	118,813	31,231	-	-
2012	630,000	92,180	31,231	-	-
2013	658,000	63,515	31,231	-	-
2014	693,000	32,918	-	-	-
2015	-	-	-	-	-
2016	-	-	-	-	-
2017	-	-	-	-	-
2018	-	-	-	-	-
2019	-	-	-	-	-
2020	-	-	-	-	-
2021	-	-	-	-	-
2022	-	-	-	-	-
	<u>\$ 5,656,000</u>	<u>\$ 1,484,071</u>	<u>\$ 281,079</u>	<u>\$ 540,000</u>	<u>\$ 28,195</u>

1996A STREET IMPROVEMENT BONDS		1996 CITY HALL IMPROVEMENT BONDS		1997 LIBRARY IMPROVEMENT BONDS	
PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
\$ 300,000	\$ 103,625	\$ 200,000	\$ 9,700	\$ 350,000	\$ 16,450
325,000	87,838	-	-	-	-
475,000	67,200	-	-	-	-
500,000	41,600	-	-	-	-
525,000	14,175	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 2,125,000	\$ 314,438	\$ 200,000	\$ 9,700	\$ 350,000	\$ 16,450

(Continued)

CITY OF HOLLAND, MICHIGAN

DETAIL OF DEBT SERVICE MATURITIES
BY INDIVIDUAL OBLIGATION

GENERAL AND LIMITED TAX OBLIGATION BONDS:

FISCAL YEAR	1999 LIBRARY IMPROVEMENT BONDS		2002 POLICE / STREET FACILITIES IMPROVEMENT BONDS		2004 CITY HALL IMPROVEMENT BONDS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2005	\$ 225,000	\$ 65,838	\$ 400,000	\$ 812,209	\$ 50,000	\$ 146,010
2006	275,000	56,162	455,000	800,953	275,000	150,045
2007	325,000	44,337	525,000	786,821	290,000	143,858
2008	350,000	30,363	580,000	770,246	315,000	136,608
2009	350,000	15,313	640,000	751,146	330,000	127,158
2010	-	-	715,000	728,234	355,000	116,432
2011	-	-	790,000	700,909	370,000	105,782
2012	-	-	870,000	668,696	385,000	89,688
2013	-	-	955,000	632,196	425,000	74,288
2014	-	-	1,045,000	592,196	440,000	57,287
2015	-	-	1,145,000	548,396	460,000	38,587
2016	-	-	1,245,000	499,818	475,000	20,187
2017	-	-	1,355,000	445,008	-	-
2018	-	-	1,475,000	382,688	-	-
2019	-	-	1,595,000	309,625	-	-
2020	-	-	1,710,000	227,000	-	-
2021	-	-	1,800,000	139,250	-	-
2022	-	-	1,885,000	47,125	-	-
	<u>\$ 1,525,000</u>	<u>\$ 212,013</u>	<u>\$ 19,185,000</u>	<u>\$ 9,842,516</u>	<u>\$ 4,170,000</u>	<u>\$ 1,205,930</u>

2004 LIBRARY IMPROVEMENT BONDS		TOTAL REQUIREMENTS		
PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	REFUNDING AMORTIZATION
\$ 55,000	\$ 187,251	\$ 2,295,000	\$ 1,604,818	\$ 31,231
425,000	192,608	2,514,500	1,521,186	31,231
435,000	183,045	2,550,500	1,433,649	31,231
435,000	172,170	2,701,500	1,339,355	31,231
455,000	159,120	2,846,000	1,233,899	31,231
435,000	144,332	2,079,000	1,132,780	31,231
445,000	131,282	2,203,500	1,056,786	31,231
460,000	111,924	2,345,000	962,488	31,231
475,000	93,524	2,513,000	863,523	31,231
455,000	74,524	2,633,000	756,925	-
450,000	55,188	2,055,000	642,171	-
445,000	37,188	2,165,000	557,193	-
430,000	18,277	1,785,000	463,285	-
-	-	1,475,000	382,688	-
-	-	1,595,000	309,625	-
-	-	1,710,000	227,000	-
-	-	1,800,000	139,250	-
-	-	1,885,000	47,125	-
<u>\$ 5,400,000</u>	<u>\$ 1,560,433</u>	<u>\$ 39,151,000</u>	<u>\$ 14,673,746</u>	<u>\$ 281,079</u>

(Continued)

CITY OF HOLLAND, MICHIGAN

DETAIL OF DEBT SERVICE MATURITIES
BY INDIVIDUAL OBLIGATION

SPECIAL ASSESSMENT BONDS:

FISCAL YEAR	1992A UTILITY IMPROVEMENT BONDS		1997A UTILITY IMPROVEMENT BONDS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2005	\$ 35,000	\$ 4,500	\$ 30,000	\$ 10,087
2006	30,000	2,400	25,000	8,557
2007	10,000	600	30,000	7,257
2008	-	-	25,000	5,667
2009	-	-	30,000	4,342
2010	-	-	25,000	2,738
2011	-	-	25,000	1,375
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
	<u>\$ 75,000</u>	<u>\$ 7,500</u>	<u>\$ 190,000</u>	<u>\$ 40,023</u>

1998A UTILITY IMPROVEMENT BONDS		CITY OF HOLLAND'S ALLOCATED PORTION OF SPECIAL ASSESSMENT DEBT PAYABLE TO FILLMORE TOWNSHIP (1999A ALLEGAN CNTY BONDS)		2000A UTILITY IMPROVEMENT BONDS	
PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
\$ 30,000	\$ 10,200	\$ 46,975	\$ 47,703	\$ 25,000	\$ 14,525
35,000	8,850	70,463	45,730	25,000	13,075
30,000	7,258	70,463	42,771	25,000	11,625
20,000	5,878	70,463	39,811	25,000	10,175
25,000	4,938	70,463	36,817	25,000	8,725
25,000	3,738	70,463	33,752	25,000	7,275
25,000	2,513	70,463	30,651	25,000	5,825
25,000	1,263	70,463	27,480	25,000	4,375
-	-	70,463	24,274	25,000	2,925
-	-	70,463	21,033	25,000	1,462
-	-	93,950	17,757	-	-
-	-	93,950	13,388	-	-
-	-	93,950	8,972	-	-
-	-	93,950	4,510	-	-
<u>\$ 215,000</u>	<u>\$ 44,638</u>	<u>\$ 1,056,942</u>	<u>\$ 394,649</u>	<u>\$ 250,000</u>	<u>\$ 79,987</u>

(Continued)

CITY OF HOLLAND, MICHIGAN
 DETAIL OF DEBT SERVICE MATURITIES
 BY INDIVIDUAL OBLIGATION

FISCAL YEAR	2002A UTILITY IMPROVEMENT BONDS		TOTAL REQUIREMENTS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2005	\$ 60,000	\$ 31,405	\$ 226,975	\$ 118,420
2006	60,000	27,205	245,463	105,817
2007	60,000	24,805	225,463	94,316
2008	60,000	22,405	200,463	83,936
2009	60,000	20,005	210,463	74,827
2010	60,000	17,605	205,463	65,108
2011	60,000	15,205	205,463	55,569
2012	60,000	12,745	180,463	45,863
2013	60,000	10,225	155,463	37,424
2014	60,000	7,645	155,463	30,140
2015	55,000	5,005	148,950	22,762
2016	55,000	2,530	148,950	15,918
2017	-	-	93,950	8,972
2018	-	-	93,950	4,510
	<u>\$ 710,000</u>	<u>\$ 196,785</u>	<u>\$ 2,496,942</u>	<u>\$ 763,582</u>

(Continued)

CITY OF HOLLAND, MICHIGAN

REVENUE BOND ISSUES OUTSTANDING
 DETAIL OF DEBT SERVICE MATURITIES
 BY INDIVIDUAL OBLIGATION

FISCAL YEAR	1989 INSTALLMENT PURCHASE OBLIGATION - HUNTINGTON BANK		1995 INSTALLMENT PURCHASE OBLIGATION - HUNTINGTON BANK	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2005	\$ 27,277	\$ 2,387	\$ 11,000	\$ 4,658
2006	-	-	12,000	4,025
2007	-	-	13,000	3,335
2008	-	-	14,000	2,587
2009	-	-	15,000	1,783
2010	-	-	16,000	920
2011	-	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
	<u>\$ 27,277</u>	<u>\$ 2,387</u>	<u>\$ 81,000</u>	<u>\$ 17,308</u>

WATER SUPPLY REVENUE BONDS SERIES 1997			ELECTRIC REVENUE BONDS (REFUNDING ISSUE) SERIES 2002A			
PRINCIPAL	INTEREST	DISCOUNT AMORTIZATION	PRINCIPAL	INTEREST	AMORTIZATION	
					DISCOUNT	REFUNDING COST
\$ 425,000	\$ 449,846	\$ (9,752)	\$ 2,415,000	\$ 202,745	\$ (13,756)	\$ (124,154)
450,000	429,278	(9,279)	2,475,000	153,845	(9,943)	(89,743)
475,000	407,071	(8,768)	2,555,000	99,713	(5,417)	(48,891)
505,000	383,180	(8,219)	2,705,000	35,165	-	-
535,000	357,566	(7,632)	-	-	-	-
570,000	329,933	(6,994)	-	-	-	-
600,000	300,240	(6,316)	-	-	-	-
640,000	268,300	(5,578)	-	-	-	-
675,000	233,941	(4,793)	-	-	-	-
715,000	197,275	(3,953)	-	-	-	-
760,000	157,998	(3,052)	-	-	-	-
805,000	116,134	(2,097)	-	-	-	-
855,000	71,622	(1,079)	-	-	-	-
905,000	24,322	-	-	-	-	-
<u>\$ 8,915,000</u>	<u>\$ 3,726,706</u>	<u>\$ (77,512)</u>	<u>\$ 10,150,000</u>	<u>\$ 491,468</u>	<u>\$ (29,116)</u>	<u>\$ (262,788)</u>

(Continued)

CITY OF HOLLAND, MICHIGAN

REVENUE BOND ISSUES OUTSTANDING
 DETAIL OF DEBT SERVICE MATURITIES
 BY INDIVIDUAL OBLIGATION

FISCAL YEAR	TOTAL REQUIREMENTS			
	PRINCIPAL	INTEREST	AMORTIZATION	
			DISCOUNT	REFUNDING COSTS
2005	\$ 2,878,277	\$ 659,636	\$ (23,508)	\$ (124,154)
2006	2,937,000	587,148	(19,222)	(89,743)
2007	3,043,000	510,119	(14,185)	(48,891)
2008	3,224,000	420,932	(8,219)	-
2009	550,000	359,349	(7,632)	-
2010	586,000	330,853	(6,994)	-
2011	600,000	300,240	(6,316)	-
2012	640,000	268,300	(5,578)	-
2013	675,000	233,941	(4,793)	-
2014	715,000	197,275	(3,953)	-
2015	760,000	157,998	(3,052)	-
2016	805,000	116,134	(2,097)	-
2017	855,000	71,622	(1,079)	-
2018	905,000	24,322	-	-
	<u>\$ 19,173,277</u>	<u>\$ 4,237,869</u>	<u>\$ (106,628)</u>	<u>\$ (262,788)</u>

(Continued)

CITY OF HOLLAND, MICHIGAN

DETAIL OF DEBT SERVICE MATURITIES
BY INDIVIDUAL OBLIGATION

OTHER LONG-TERM INDEBTEDNESS:

FISCAL YEAR	ESTIMATED ENVIRONMENTAL CLEANUP COSTS	CAPITAL LEASE - PARK PROPERTY PURCHASE		CAPITAL LEASE HOPE COLLEGE PROPERTY PURCHASE	TOTAL REQUIREMENTS	
		PRINCIPAL	INTEREST	PRINCIPAL	PRINCIPAL	INTEREST
2005	\$ 15,000	\$ 12,500	\$ 5,625	\$ -	\$ 27,500	\$ 5,625
2006	15,000	12,500	5,000	-	27,500	5,000
2007	15,000	12,500	4,375	-	27,500	4,375
2008	15,000	12,500	3,750	-	27,500	3,750
2009	15,000	12,500	3,125	352,000	379,500	3,125
2010	-	12,500	2,500	-	12,500	2,500
2011	-	12,500	1,875	-	12,500	1,875
2012	-	12,500	1,250	-	12,500	1,250
2013	-	12,500	625	-	12,500	625
	<u>\$ 75,000</u>	<u>\$ 112,500</u>	<u>\$ 28,125</u>	<u>\$ 352,000</u>	<u>\$ 539,500</u>	<u>\$ 28,125</u>

(Concluded)